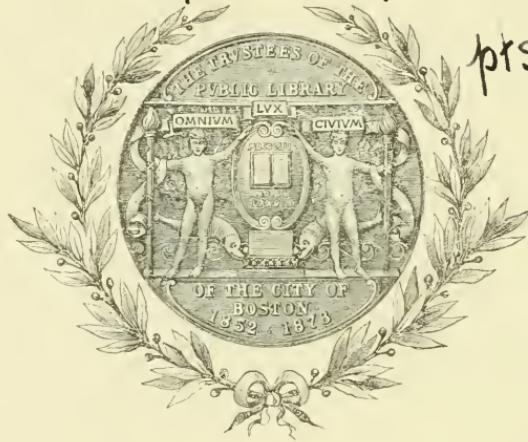




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# POST-WAR ECONOMIC POLICY AND PLANNING

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## HEARINGS

BEFORE THE

SUBCOMMITTEE ON HOUSING AND URBAN  
REDEVELOPMENT OF THE

SPECIAL COMMITTEE ON POST-WAR ECONOMIC  
POLICY AND PLANNING

UNITED STATES SENATE  
SEVENTY-NINTH CONGRESS

FIRST SESSION

PURSUANT TO

### **S. Res. 102**

(78th Congress)

A RESOLUTION CREATING A SPECIAL COMMITTEE  
ON POST-WAR ECONOMIC POLICY  
AND PLANNING

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### **PART 11**

**HOUSING AND URBAN REDEVELOPMENT**

JANUARY 16, 1945

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Printed for the use of the Special Committee on Post-War  
Economic Policy and Planning



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1945

*9338.91A84*

U. S. SUPERINTENDENT OF DOCUMENTS

*MAY 8 1945*

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NOTE.—There will appear in the final volume an index by subject matter covering the entire series of hearings.

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# POST-WAR ECONOMIC POLICY AND PLANNING

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TUESDAY, JANUARY 16, 1945

UNITED STATES SENATE, SUBCOMMITTEE ON  
HOUSING AND URBAN REDEVELOPMENT OF  
THE SPECIAL COMMITTEE ON POST-WAR  
ECONOMIC POLICY AND PLANNING,  
*Washington, D. C.*

The subcommittee met, pursuant to adjournment, at 10:30 a. m., in room 301, Senate Office Building, Senator Robert A. Taft (chairman) presiding.

Present: Senators Taft (chairman), Radcliffe, Ellender, and Buck.

Senator TAFT. The committee will come to order. We will hear from Mayor LaGuardia, New York City.

## STATEMENT OF HON. FIORELLO H. LaGUARDIA, MAYOR OF THE CITY OF NEW YORK, N. Y.

Mr. LaGUARDIA. I understand, Mr. Chairman, that this is a hearing on the question of public housing and slum clearance.

Senator TAFT. That is the post-war aspect of the plan for the next 10 years.

Mr. LaGUARDIA. At this point of the hearing I would like permission to insert a prepared statement from the United States Conference of Mayors. That statement will represent the views generally of the mayors of American cities.

Senator TAFT. Does the statement cover both housing and urban redevelopment?

Mr. LaGUARDIA. Yes, sir.

Senator TAFT. The statement may be inserted in the record.  
(The statement referred to is as follows:)

### PUBLIC HOUSING

(Report submitted by the United States Conference of Mayors)

Of all groups interested in housing and in the clearance and redevelopment of slum areas, the executives of American cities, speaking through the United States Conference of Mayors, are beyond question—except perhaps for the people who themselves live in slums—the most vitally concerned. To us, housing and slum clearance are not just questions of social reform, but concrete and practical matters of good municipal housekeeping.

We are glad of the opportunity of appearing before this committee. We hope that a program of action is imminent.

We want to make it clear that in the post-war period every possible attempt should be made to solve the housing problems of our people through the operation of private enterprise.

Every legitimate assistance should be given private real-estate operators.

It must be admitted, however, that after every attempt has been made, there will undoubtedly be a very substantial number of families who cannot afford even

the lowest-cost houses of adequate standards produced by private enterprise. For these people the only answer is public housing. We agree that ideally there should be no families with incomes too low to permit them to pay for adequate housing and purchase the other goods and services necessary for a decent life. Until such time as our economic system provides such necessary income it is a clear function and duty of government to see that no family has to live and rear its children in surroundings which are a disgrace to what we refer to with pride as the American standard of living.

The cities of the country have had a visible demonstration of the benefits which can be achieved under the low-rent public housing program authorized by the United States Housing Act. This program has, within the limit of its resources, accomplished what it set out to do. It has taken families from the slums, and it has made decent housing available to those who would otherwise have to live out their lives in the slums. It has rigidly restricted admission to families of low income except in a relatively few cases of essential war workers who could not otherwise find accommodations. It has made this housing available to them at rents which they can afford without depleting the amounts which their meager budgets allow for the other necessities of life.

Our only complaint with this program is that it has been too small—far too small in relation to the needs. We must have a vast extension of this program and we must have it immediately, both to rehouse our slum dwellers and to provide the large amounts of employment which it will provide in the post-war era.

We have examined with interest the testimony which has been presented to this committee by the Commissioner of the Federal Public Housing Authority in connection with this program. We have noted with satisfaction he emphasized that programs of low-rent housing and slum clearance are matters for purely local determination. We believe that the various localities should determine the extent and nature of the programs which they are to undertake. We believe that they can be trusted to plan such programs in the public interest. We believe that they will scrupulously avoid any competition with private enterprise in the field where it is able to operate, and will restrict themselves to necessary undertakings which cannot be carried forward by private enterprise. We believe that the role of the Federal Government should be restricted to that of giving financial aid and technical assistance for projects which it finds to be meritorious, well conceived, and financially sound within the conditions under which they are undertaken.

We are in substantial agreement with and will support the changes and improvements to the United States Housing Act which have been proposed. Of particular interest to the cities is the amendment which will enable localities to obtain all of their capital financing from private investors. On the basis of past experience we believe that it will be possible for them to obtain these funds in adequate volume and at very low rates of interest. We believe it is wise, both from the local and Federal points of view, that such capital financing be the primary responsibility of the local authorities.

We also believe that shortening the period of local contributions to 45 years is a step in advance, which will not only reduce the cost of the program to the Federal Government but will also put the cities in complete control of their projects at an earlier date.

The most important amendment which we advocate is, of course, the provision of further authorizations for annual contributions in order to make possible a great enlargement of the low-rent program. Under the provisions suggested above no additional capital authorizations will be needed for the low-rent program.

Finally, we believe it would be advantageous to the cities if all of the various housing activities of the Federal Government were kept together in one permanent housing agency. We believe that this agency should be based on strong constituent units such as the Federal Public Housing Authority, each charged with full operation of its respective program. The function of the over-all agency would be that of formulating general policy and reconciling differences, if any, between the constituents.

We ask for early and favorable consideration by the Congress. Our cities must begin as soon as possible to make plans for their post-war projects of low-rent housing and slum clearance. Not only will these projects be of immeasurable benefit to the communities themselves, but they will form a vast reservoir of work for men and women when they are released from the armed services or are no longer needed in war industries. At one and the same time we can provide jobs to tide the Nation over a difficult reconversion period and correct one of the principal dislocations in our national life.

The stresses and severe dislocations which the war has wrought upon our cities makes the problems of housing and of slum clearance more acute than ever before. The cities of America are fully conscious of their responsibility to all of their citizens. They are conscious of the imperative need for a low-rent program with adequate funds, and for a broadened program of slum clearance which will enable us to clean up the slums of our cities within our own lifetimes and pass on to our children a heritage of adequate housing.

We therefore respectfully urge this committee, concerned with those problems of our cities, to produce a bold plan for America and to recommend legislation which will make certain the right of every American family to a decent home.

Mr. LAGUARDIA. From this point on I want to speak in my capacity as mayor of the city of New York. I believe I have the right to talk on public housing.

For the past 11 years we have demonstrated the feasibility and usefulness of low-cost, publicly owned, publicly operated housing. We now have 14 housing units in New York City in operation, with 16,661 dwelling units housing 69,398 people. This was made possible because of the subsidies and grants from the Federal Government up to 4 years ago when the State of New York embarked on a housing program, and the last 3 or 4 were State projects.

We now have in our post-war program, ready to go, already financed, 14 projects, amounting to \$120,236,000.

Senator ELLENDER. What do you mean by "already financed," Mr. Mayor?

Mr. LAGUARDIA. I will come to that. We have the money for that from the State, the city, and one left over that is Federal.

Senator ELLENDER. You mean your share of it?

Mr. LAGUARDIA. No; the State and Federal share, too. We have one Federal project which has been authorized and plans completed, but which was stopped on account of the war.

Senator TAFT. You have not actually sold the bonds, I suppose, but you are ready to start selling them?

Mr. LAGUARDIA. We are all ready to sell them. Some bonds we have already sold, because we have purchased the land. We got very low interest rates, too—down to 1.67.

Senator TAFT. Are those metropolitan housing authorities that issued those bonds?

Mr. LAGUARDIA. New York City Housing Authority.

Senator BUCK. Guaranteed by the Government?

Mr. LAGUARDIA. Well, that is a ticklish question. On the record I will say no, they stand on their own, but you and I have no misgivings about it. I am pretty sure the purchasers of those bonds depend upon the credit of the city of New York on the interest rate, but they are perfectly good.

Senator TAFT. They depend also on the fact that the subsidy is going to make up the deficit for the Federal Government. I suppose some of them, especially the ones that are ready to go, are now mostly State subsidies.

Mr. LAGUARDIA. State subsidies.

Senator BUCK. I am interested in the land that you say was purchased. Was that in a slum-clearance project? Will you get rid of a lot of poor-grade houses?

Mr. LAGUARDIA. We will get rid of what we deem undesirable. But I want to say this: What we in New York deem undesirable now is considered pretty good in other sections of the country.

Senator TAFT. It is not the worst housing in New York City that you are eliminating, is it?

Mr. LA GUARDIA. That is what we are doing.

Senator TAFT. You are?

Mr. LA GUARDIA. As much as possible; yes.

Senator ELLENDER. Mr. Mayor, one more question. You said that of the projects that you are now operating, three of them are State projects.

Mr. LA GUARDIA. Two I am sure of.

Senator ELLENDER. Does the Federal Government contribute any subsidies on those projects, or are they entirely maintained by the State?

Mr. LA GUARDIA. No; this is a Federal and municipal government arrangement.

Senator ELLENDER. I see.

Mr. LA GUARDIA. The State is not in it at all. They are separated entirely.

Senator ELLENDER. I see.

Mr. LA GUARDIA. I will now take up some of the individual projects. As to the Amsterdam Houses, West Sixty-third Street, West Sixty-fourth Street, West End Avenue, and Amsterdam Avenue, the land is acquired and the plans are completed. There are 1,024 apartments at a cost of \$7,091,000.

The Lillian Wald development, Avenue D, East River Drive, East Sixth Street and East Houston Street, the land is acquired, the plans in preparation, with 1,805 apartments at a cost of \$12,902,000.

Senator BUCK. In each instance there you will do away with a lot of undesirable homes?

Mr. LA GUARDIA. Oh, yes. We have already cleared some of the actual houses. If you will remind me, I will give you our program on that.

In the Brownsville project the land is acquired, the plans are in preparation. That is a project of 1,338 apartments at a cost of \$8,167,000.

Senator BUCK. Where is that?

Mr. LA GUARDIA. Sutter Avenue, Dumont Avenue, Stone Avenue, Rockaway Avenue.

Morrisania, at Morris Avenue, East One Hundred and Forty-sixth Street, Third Avenue, and East One Hundred and Thirty-ninth Street, the plans are in preparation, the land is being acquired. That consists of 1,800 apartments at a cost of \$10,849,000.

The Abraham Lincoln Apartments, East One Hundred and Thirty second Street, East One Hundred and Thirty-fifth Street, Fifth Avenue, and Park Avenue, the land is being acquired and the plans are in preparation. That consists of 1,289 apartments at a cost of \$8,836,000.

The Marcy houses, Flushing Avenue, Marey Avenue, Nostrand Avenue, and Myrtle Avenue, the land is acquired. That consists of 1,728 apartments at a cost of \$11,186,000. In that case the contract has been signed with the contractor.

The Gowanus houses No. 1, Wycoff Street, Baltic Street, Bond Street, and Hoyt Street, consists of 572 apartments at a cost of \$3,369,000. The plans have been completed in that case.

James Weldon Johnson houses, East One Hundred and Fifteenth Street, Third Avenue, East One Hundred and Twelfth Street and

Park Avenue, the land is acquired and plans are in preparation. That consists of 1,320 apartments at a cost of \$9,974,000.

Gowanus houses No. 2, Baltic Street, Bond Street, Douglass Street, and Hoyt Street, the land is being acquired and plans in preparation. That consists of 572 apartments at a cost of \$3,369,000.

The Governor Smith houses, Madison Street, Catherine Street, Catherine Slip, South Street, Pearl Street, and North Bowery, the contract is not yet signed with the State but ready to be signed. That consists of 1,924 apartments at a cost of \$16,595,000.

The Astoria houses, Twenty-seventh Avenue, Eighth Street, Astoria Boulevard, Vernon Boulevard, East River, and First Street, the contract is not yet executed by the State but executed by the city, it is just in the course of being signed. That consists of 1,100 apartments at a cost of \$7,644,000.

St. Mary's, East One Hundred and Fifty-third Street, Morris Avenue, East One Hundred and Fifty-sixth Street and Courtlandt Street, the contract is not yet signed but in the course of preparation. That consists of 1,200 apartments at a cost of \$7,973,000.

The Jacob Riis houses, Avenue D, East River Drive, East Sixth Street, and East Thirteenth Street, is a Federal project and was stopped because of the war. That consists of 1,354 apartments at a cost of \$8,421,000.

The Elliott houses, West Twenty-fifth Street, West Twenty-seventh Street, Ninth Avenue to Tenth Avenue, the plans are completed and land acquired. That consists of 617 apartments at a cost of \$3,860,000

That comes to a total of \$120,236,000.

Senator BUCK. Mr. Mayor, may I ask, will all these be administered by the Housing Authority?

Mr. LA GUARDIA. Yes.

Senator BUCK. That is a board of how many? They are appointed by the mayor, I presume?

Mr. LA GUARDIA. Yes, a board of five.

Senator BUCK. Appointed by the mayor?

Mr. LA GUARDIA. Yes. These are all low-cost subsidized housing. Most of them actually replace old-law tenement houses. All of them replace them indirectly, because we took people from substandard houses. That is one of the requirements of eligibility.

Senator BUCK. Don't they fill up again if you don't tear them down?

Mr. LA GUARDIA. Oh, no. At this moment, gentlemen, we have a housing shortage in New York City, and when we present those facts to show we have a housing shortage we are immediately confronted with the number of vacant apartments that we have. All of the vacant apartments are in these undesirable, no-heat, cold-water apartments and people will just not live in them, and you cannot blame them. So that where we can we take an area of substandard houses and demolish them and build in their places these new type, modern, sanitary, cheerful dwellings.

Senator BUCK. Do you have to make any provision for the tenant?

Mr. LA GUARDIA. Yes, and it is rather difficult. Now, I am doing something which I really hate to do, but there is no choice. I am asking the legislature to give me tax exemption on the value of the improvement in rehabilitating some of these old-law tenement houses,

to take care of these people during the period of construction, and I think the legislature will grant that. There will be a limit on the rent, so as not to perpetuate these undesirable dwellings.

Now, you ask about the actual clearances. The more congested an area of a city is the higher its land value, and the land value in some of these congested districts makes the building, the cost of low-cost subsidized housing, exceedingly difficult.

Senator TAFT. I note that your cost runs around \$6,000 to \$7,000 a unit, in the figures that you gave us.

Mr. LAGUARDIA. That is right.

Senator TAFT. That is a good deal higher than the average in the country.

Mr. LAGUARDIA. That is right. That is because of land values, gentlemen. There is nothing we can do about that. You see, the difference in the cost, and the reason that private capital cannot do it is that in the old days they would take a plot of land and they would build over the entire plot, so that you had inside rooms and some rooms on a very small areaway and that, in a very short time, degenerates into a slum type of building.

Now, we build on 27 to 30 percent of the area, and you have here zig-zag formations, so that there is a window in every room and sunshine in every window. That makes it extremely costly when you are buying land by the square foot. But there is nothing we can do about that. That is a condition that we just have to meet.

Senator ELLENDER. Mr. Mayor, have you ever given thought to condemning what you may call the slum area and use the land, say, for a park system or for other uses and acquire cheaper land farther out from the center of the city for erecting low-rent housing units?

Mr. LAGUARDIA. There are two schools of thought in that. Our policy in New York City is a blending or a mixture of the two systems. That is exactly what we do. Where we go in for street widening and we go through an area of that kind we utilize the powers of excess condemnation and playground and park that land, and then take unused land for a new project.

Now, we did that in Clason Point. We did it partially in Jamaica, but in Jamaica we took down pretty bad stuff. In Fort Greene, the largest project we had, we took down some very bad areas there.

What I want to talk about, gentlemen, is to ask your consideration on three different types of dwellings, urban dwellings where the Government may properly be of assistance. Everybody, I believe, recognizes that this country has accepted the policy of low-cost, subsidized housing, to make available to people of the lowest income groups a decent place in which to live. This has brought the standards up so that people in my city, who are of the very lowest incomes, have much better homes than the next income group who have just a little too much to qualify for the low-cost houses and cannot afford to live in a modern apartment, and that is creating concern to all interested in housing.

Senator TAFT. That is what I have been telling the housing people here all along in this hearing, Mr. Mayor. That group worries me.

Mr. LAGUARDIA. Yes. But there is a very simple solution, I think. In the first place, gentlemen, you must know there is nothing mysterious about housing. It would seem to have a great many complications. I do not believe anyone of our generation claims

originality. It was talked about for 30 years at least before any of us came on the scene.

I first heard of it when I was in the Consular Service stationed abroad 40 years ago, when I read Jacob Riis' How the Other Half Lives. I was shocked. I was raised out in Arizona and I did not know city conditions there. I was not only shocked but ashamed that such conditions could exist in an American city.

When I came back to New York City there were all sorts of committees working on it, there was a great deal of agitation, but nothing happened.

I was rather surprised, when I started with this thing when I became mayor in 1934, that some of the most enthusiastic sponsors hesitated and said, "Oh, now, Mr. Mayor, you are too impulsive. You can't move that fast. We will require a study of it; we will make another survey on it."

There are just libraries of surveys and studies on housing. European countries started it. Sweden, Germany, and Austria had pretty good housing projects long before we did.

There are three groups of housing where I think some assistance will solve our housing problems in this country. The first group is the low-cost, subsidized project. That is now past the experimental stage.

Now, as to the second group—and I am giving New York figures, but they are comparative figures, of course—these rooms run from \$5 to \$7, but we need a group now that will run from \$10 to \$12 a room. That will take care of the next group. I do not believe that that group requires a subsidy other than if the Government cannot provide low-cost money.

Senator BUCK. Mr. Mayor, at \$10 to \$12 a room, what does that run a month per apartment or per home?

Senator TAFT. \$40 to \$50.

Mr. LAGUARDIA. Yes, for four rooms or five rooms, \$40 to \$50. Now, if we can get money, gentlemen, at 2 percent on a 50-year amortization basis and the localities make their tax flexible so as to guarantee that 2 percent, we can lick that problem. I believe that 2 percent money will be available, or should be available.

Senator TAFT. Don't you get better than 2-percent money now for the low-grade apartments? You just said you issued bonds at 1.76.

Mr. LAGUARDIA. Yes, subsidized.

Senator TAFT. Subsidized?

Mr. LAGUARDIA. Yes. There would not be any subsidy here. The only change would be—oh, the general unemployment situation, bad economic conditions, but if we cannot get that at 2 percent, because the municipalities cannot absorb much more tax-exempt property, we have to be realistic about that, the best we can do in this second class would be to freeze the present valuation of the land and improvements with an agreement that if income increases over and above operation, amortization, depreciation, and interest, it would pay an additional amount, but it would go down to that floor, and that 2-percent money would provide a great deal of the housing needs in that group.

Senator TAFT. Of course that group, as far as the country at large is concerned, is a group where the problem is not so much a rental

housing problem as a buying and selling problem. Of course, in New York you have a rather special condition, you could not expect that group probably to buy their own homes.

Mr. LAGUARDIA. I have put that group in the third classification and there, I think, all we need is to increase your mortgage insurance under the—what is it, U. S. H. A.?

Senator TAFT. F. H. A.

Mr. LAGUARDIA. Increase your mortgage insurance under F. H. A. to 90 percent.

Senator TAFT. Well, it is 90 percent now.

Mr. LAGUARDIA. Well, that is temporary, is it not? That is for emergencies.

Senator TAFT. No, it is 100 percent for emergencies, but title II is 90 percent.

Mr. LAGUARDIA. I am not sure about that.

Senator TAFT. It is an increase. They have not been using it.

Mr. LAGUARDIA. Well, you could not get material now, anyway. I think 90-percent insurance will do the trick in most communities of the country. We have to be very careful to avoid jerry-building, to get proper design and proper construction, and also requirements as to spacing. We have sections in our city built of individual or two-family houses that just have all of the makings of slums of the future. They are just compact, one with the other, and rather cheaply constructed. I would give them 15 to 20 or 25 years' life and they will be slums. That should be avoided, both as to control and supervision of design and spacing.

Senator BUCK. Mr. Mayor, how can you hope to get 2 percent money on a 50-year loan when you can do very much better with Government bonds?

Mr. LAGUARDIA. I think the time is coming when money, unaccompanied by ethics, risk, or labor will not be worth much more.

Senator TAFT. The Senator means the Government is paying 2½ percent on the long-term bonds.

Senator BUCK. An investor in Government bonds can get a better return on those bonds than 2 percent.

Mr. LAGUARDIA. I do not think the Government should pay 2½ percent. We are pretty solvent yet.

Senator BUCK. You should leave off the last word.

Senator TAFT. Mr. Mayor, may I ask, supposing you were to leave out these other groups and just look at the low-income group, which I suppose in New York runs up to either \$1,200 or \$1,300; is that the limit on your present housing project?

Mr. LAGUARDIA. There is no criterion now, Senator. We have a very confused condition now.

Senator TAFT. Yes. I mean there was a standard, I think, of \$1,300.

Mr. LAGUARDIA. It was \$1,300 and then larger families had some larger allowances. Maybe Mr. Jacobstein can answer that.

What is the family income qualification for federally subsidized low-cost housing, Mr. Jacobstein?

Mr. JACOBSTEIN. I think there is a formula by which the income shall not exceed so many times.

Mr. LAGUARDIA. Five times the rent.

Senator TAFT. The suggestion here, from the N. H. A. testimony, was \$1,300 in New York and about \$1,000 in most of the rest of the country.

Mr. LAGUARDIA. We found that low.

Senator TAFT. Supposing you wanted to do all the housing you considered necessary for that group, how far would the public housing go in New York? You now are taking care of 69,000 people and your new plans are about doubling that, I take it. That would be 140,000, roughly, and somewhere around 62,000 housing units. How big a program do you think that is going to grow into? Have you any plans for the next 10 years, say?

Mr. LAGUARDIA. Well, I would say what we have on the boards now, the land acquired, and what the Housing Authority has planned in the event of Federal grants, I think we have at least an 8-year program there.

Senator TAFT. Do you think that pretty well meets the low-income problem, or the poor-housing problem, whatever you might call it?

Mr. LAGUARDIA. No, sir; not according to our standards.

Senator TAFT. I think you are closer to it in New York than anywhere else. I think you have made more progress in New York than any other community.

Mr. LAGUARDIA. I have demolished, since I have been mayor, 69,000 units, and we have 44,000 more ready to go. We cannot move on it now, first because of labor and, second, we dare not reduce any more available space for dwellings.

Senator TAFT. You told us you had 14 projects planned and ready to go. I wondered if during the next 10 years you would have another 14, or how many you might have.

Mr. LAGUARDIA. They have more than 14 now under study, which they submitted in a survey to General Fleming's department.

Senator TAFT. In addition to those that are ready to go?

Mr. LAGUARDIA. Yes.

Senator BUCK. How long do you think it would take to construct those when you get the green light?

Mr. LAGUARDIA. Well, if I get the green light, I think from 3 to 4 years. The Housing Authority figures 4 to 5 years, while at the other end of it we figure 3 to 4. That is considering all conditions. Money isn't everything.

I want to say this, at the risk of being misunderstood or misrepresented in my views: Labor has a great deal to do with this. Before we start on a project we ought to know, because every penny is so carefully estimated, just what the rates of pay will be for that entire project, with no changes during the construction and no jurisdictional strikes. If we have any jurisdictional strike, the contractor, the city, the Housing Authority, are just helpless. They are costly, gentlemen, and the contractor has to estimate on that risk.

I think it was Williamsburg where we had a situation once, a quarrel between the sheet-metal workers, I think, and the carpenters, as to who would put the baseboard in, whether the carpenters or sheet-metal workers, and it just held it up for weeks and weeks and weeks. They cannot do that.

We had difficulty with the plasterers on the Harlem River Houses. That plastering is going out, gentlemen. You see, we have to avail

ourselves of every improvement in the art to keep down construction costs, and there are great improvements in the art that will keep down the cost. For instance, if we put a cement floor, a concrete floor in, we can use that same floor for the ceiling of the apartment below and all it requires is spraying, and yet you will have a jurisdictional fight because you haven't got a plasterer there.

Now, such things are costly. We must get some understanding with the building trades so that they will look after their own family quarrels without interrupting construction and adding to the cost, and also we must get the full benefit of all improvements in the art.

The Fort Greene houses wanted to bring in the electric refrigerators. Now, as you know, they are prefabricated. All the wiring was done by the electricians, and all you had to do was to put in the plug. We were not permitted to bring up the refrigerators with unskilled labor, and the trade had to bring them up and plug them in.

As you know, I have given all my life to labor, I have burned all my bridges behind me, but such practice just does not make sense. Labor's best friends ought to speak out on it, and that is what I am doing now.

There will be a great many improvements in construction and it will help us a great deal. It is going to require time to educate them.

Some of the trades are going out of business, and there is nothing we can do about it. When I was a boy the whip industry in this country was a quite large industry, and now, with the automobile, that has just gone out of business. The same way with construction. You can remember the time when bricks were brought up by manpower, by the hod, but we do not do it now, we convey them up. In almost every part of construction there is great improvement, if we can only avail ourselves of that improvement. I intend to do it.

I would urge the following considerations in the three classifications:

(1) A continuance of the past program of subsidized housing for the lowest income group; (2) available low-interest money for the non-subsidized but limited rent group; and (3) facilitate funds for the construction of homes under the F. H. A.

Now, gentlemen, I can tell you from actual experience that it really pays to have people live in decent homes. A great many people come to our town and they look at some of our old-type buildings and then look at one of our housing projects, with its landscaping, gardening space, and they marvel at the transformation. But there is a greater transformation than that.

You take a family that is living in an old-type tenement house, a railroad apartment, no sanitary provisions, toilet facilities in the hall, a bedroom stuck in between the kitchen and the other rooms, that home is just dreary. The young mother is unkempt, harassed, may have a boiler on the stove for the wash, the kid getting into trouble in the kitchen—the whole atmosphere is oppressing. You move that same family into one of these apartments where there is light and you see a pretty little home. You see that same mother with a housedress that is nice and clean, a ribbon in her hair, decorations on the wall, not worried about the children, she knows there is a place to play, and there are facilities to do the family washing downstairs. It is a transformation of the human being.

We have had no police trouble in any of these units. Oh, they do organize, they send word to me as to how to run the city, or things like that, but that is quite all right. There is really quite a change

in the individual and in family life. We think it is worth while. I would not want to be mayor of a town that just didn't do anything about it. We have done something about it.

We have had a great many headaches attached to it and maybe we made some mistakes, but we have learned a great deal.

It is always a source of great satisfaction to me when I think what I did in connection with the Williamsburg houses. When we laid the cornerstone for the Williamsburg houses I put a copy of Jacob Riis' book in the box. That is where I got my first lesson.

Senator ELLENDER. Mr. Mayor, that is very touching. Have you had any surveys made or do you know whether surveys have been made of the cost to the city of maintaining slum areas in contrast to these new low-rent dwelling areas?

Mr. LA GUARDIA. No. I think it is really too soon. We know that the same people, and the same number of people, residing in one of these houses do not require the policing that they would have required had they remained where they were. We also see a change in the health conditions, of course, but that is going to take time.

If it had not been for the war, I believe that in 25 years we could have practically eliminated tuberculosis from the great cities, assuming, of course, that the Federal Government would expand its tuberculosis program and give protection against the migration of persons infected with the disease. But we find that with good housing and nutrition and supervision people having a tendency to break the laws can be protected.

We made quite a study, gentlemen—and this is interesting—our own health department did it. I think we have established that there is a hereditary tendency to tuberculosis. That was a very patient and tedious study, made of I don't know how many thousand sets of twins and followed each one of them that might have inherited tuberculosis, and we are convinced that there is a tendency toward that disease through heredity. We cannot do as efficient work now, we are just so short of personnel that we cannot do it, but of course we have the histories of the mothers and fathers where there is any history of tuberculosis in the family.

So, to answer your question, I think it will require at least 20 years' experience with a substantial amount of such housing before it can be ascertained in dollars and cents as to what the saving is.

Senator TAFT. You said "except for the war." The war set back the program, of course.

Mr. LA GUARDIA. Yes.

Senator TAFT. There is no reason why the progress should not be resumed after the war.

Mr. LA GUARDIA. We would try to pick it up, unless we have economic disturbances. If we can go into the post-war with a normal situation I think we can make even greater strides, because a great deal has been learned in the meantime.

Senator TAFT. Mr. Mayor, just exactly what do the city and the State contribute to this subsidy for new housing, and in what way?

Mr. LA GUARDIA. The Federal and the State are entirely separate.

Senator TAFT. Yes.

Mr. LA GUARDIA. Now, in the case of the Federal, we contribute a great deal of tax money.

Senator TAFT. By making the projects tax-exempt, do you mean?

Mr. LAGUARDIA. Exactly.

Senator TAFT. Do you know how that compares to the contribution of the Federal Government?

Mr. LAGUARDIA. Oh, the contribution of the Federal Government is greater.

Senator TAFT. Is greater than the tax exemption?

Mr. LAGUARDIA. Much greater. We now get an allowance in lieu of taxes for services.

Senator TAFT. That is 10 percent of the gross, or something of that kind?

Mr. LAGUARDIA. Yes, sir. We take the bows, but without the Federal grant, none of it would have been possible.

Senator TAFT. When the State subsidizes, what do they give? Do they give the same amount of subsidy as the Federal Government?

Mr. LAGUARDIA. Yes; they provide an outright subsidy to make up the difference in the carrying charges and rental revenue.

Senator TAFT. That amounts to about the same as the Federal subsidy, does it?

Mr. LAGUARDIA. Yes; only it is easier to do business with the Federal Government. I get along better.

Senator TAFT. When the thing does go through, it is about the same thing?

Mr. LAGUARDIA. Yes, sir.

Senator TAFT. So the State and Federal do not mix. You have some Federal-aid subsidized project and some State-aid subsidized project?

Mr. LAGUARDIA. Yes; and some wholly city.

Senator TAFT. What are they?

Mr. LAGUARDIA. There is where we have imposed an occupancy tax, and we have used all the revenue which was earmarked originally to pay the interest on bonds for houses that are neither State nor Federal. The decision of the court of appeals requires us to put that into the general fund, but we are guided by that.

Senator TAFT. I see. How many projects do you have of that kind?

Mr. LAGUARDIA. We have three that were interrupted.

Senator TAFT. Do you think if the Federal Government goes along with their subsidy program the State will also continue to do something?

Mr. LAGUARDIA. Yes. The State had originally \$300,000,000. We used most of that up in New York City. I believe now they are contemplating another bond issue.

Senator TAFT. A State bond issue?

Mr. LAGUARDIA. Yes.

Senator TAFT. Is New York the only State which does that; do you know?

Mr. LAGUARDIA. I do not know about that. I really don't know.

Senator TAFT. I wondered if we could rely, for part of the program that should be carried out, on the States to do something of that nature.

Mr. LAGUARDIA. I do not want it only in New York City, Senator, I would like to see this all over the country, because I cannot absorb many more people there.

Senator TAFT. It is all over the country.

Mr. LAGUARDIA. It is getting to be pretty tough now. I think it is a good investment for the Federal Government. After all, the city is the basis of one-half of the country, along with agriculture. It will not take many years to meet this program. Some sections of the country, although not urban, need it very badly. Some people live in the most insanitary conditions even though they are not in the city. You can get tuberculosis in a hovel or shack right in the open air if you have no sanitary conditions, no healthy living conditions.

Senator BUCK. Mr. Mayor, this \$300,000,000 that you say the State has bonded itself; is that for capital expenditures?

Mr. LAGUARDIA. Yes. May I give the exact figures on that?

Senator TAFT. We would like to have them; yes.

Senator RADCLIFFE. Do you find any very great difficulties in making selection as to who should be the recipients of these beneficial arrangements?

Mr. LAGUARDIA. Well, the first screening is the eligibility qualification, that is, the family income, the present dwelling of that family in a substandard home, and when all things are equal they go by seniority of applications.

Senator RADCLIFFE. After the selection is made and after the tenants are installed, do you find on the whole a good cooperative attitude on the part of the tenants who enjoy these beneficial arrangements?

Mr. LAGUARDIA. Yes; they are cooperative. They want their buildings kept in good condition, they want the maintenance and operation, they tell us where we get off.

Senator RADCLIFFE. I suppose there are many classes of people with varying results. I wonder if there is not a general tendency on the part of these people to profit by the opportunity and to show their appreciation.

Mr. LAGUARDIA. They do. They do not like to leave. When the family income goes up and they lose eligibility we have to tell them to get out. They hate to do that, but you have to be very strict on that. We had that condition before the war, and that is a natural thing in our country. At the present time there are exceptions made because there is no place to move to, when all the incomes are up. They do like to stay. Before you came in, Senator, I said those homes we have now, the subsidized houses, are much better than the people in the next income group live in.

Senator BUCK. How frequently is their earning status checked?

Mr. LAGUARDIA. Checked every 6 months. There is always information coming in on them. Some member of the family will write in.

Senator TAFT. Mr. Mayor, we are very much obliged to you. If the members of the committee come to New York sometime, would you be free to show us the character of the housing program that you have there?

Mr. LAGUARDIA. Yes. Don't give us any advance notice so I would not be able to give the Housing Authority any advance notice. I don't like these dress parades, but if you see that we are in town we will get transportation for you and we will let you select the unit that you want to go to. I think that is the best test.

We also want to show you what we have in preparation, and some of the old stuff, some that we consider 'no good.'

Senator BUCK. How long would it require? Would it require 2 days?

Mr. LaGUARDIA. I would take a couple of days on it. I think you would want to see some of the old type houses that we want to abolish. I think you ought to take at least three or four of these units and look at them generally, and then visit some of the homes, and if the group is very large I would suggest, when we visit these homes, that we break up into smaller groups.

Senator TAFT. There probably would not be more than two or three. (The following table was submitted by Mr. LaGuardia:)

*Completed low-cost public housing*

Project	Location	Apartments	Population
First Houses	Manhattan—Avenue A and East 3rd St.	123	394
Harlem River	Macombs Pl., West 151-153 Sts., Harlem River	577	1,960
Williamsburg	Leonard St., Bushwick Ave., Maurier St., Scholes St. (Brooklyn).	1,622	5,640
Red Hook	Dwight St., Clinton St., West 9th St., Lorraine St. (Brooklyn).	2,545	9,017
Queensbridge	Queens—Vernon Blvd., 21st St., 40th Ave., 41st Rd	3,149	10,770
Vlaeek Houses	Manhattan—(Federal portion) Henry St., Water St., Gouverneur St., Jackson St.	1,153	5,100
Vlaeek City	(New York portion)—Madison, Cherry, Jaekson, Sta.	240	879
South Jamaica Houses	Queens—158 to 160 Sts., South Rd., 109 Ave.	448	1,467
East River Houses	Manhattan—1st Ave., East River Dr., 102 to 105 Sts.	1,170	3,903
Kingsborough Houses	Brooklyn—Ralph Ave., Pacific St., Bergen Ave., Rochester Ave.	1,166	3,708
Clason Point Gardens	Bronx—Story Ave., Seward Ave., Noble Ave., Metealf Ave.	400	1,601
Edwin Markham Houses	Staten Island—Richmond Terrace, Wayne St.. Bway and North Burgher Ave.	360	1,286
Fort Greene Houses	Brooklyn—Prince St., Carlton Ave., Myrtle Ave., Park Ave.	3,501	13,040
Wallabout Houses	Brooklyn—North Elliott Pl., Park Ave., North Portland Ave.	207	633
Total		16,661	69,398

NOTE.—10 projects are now under contract; 3 contracts about to be signed; others being planned.

Senator TAFT. The next witness is Mr. Hugh R. Pomeroy, the executive director of the National Association of Housing Officials.

#### STATEMENT OF HUGH R. POMEROY, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF HOUSING OFFICIALS

Senator TAFT. You may proceed, Mr. Pomeroy.

Mr. POMEROY. Mr. Chairman and members of the committee, the National Association of Housing Officials appreciates this opportunity of being represented in an appearance before the committee, and of participating to that extent in the committee's search for a definition of valid national housing objectives and for sound methods of attaining those objectives. Our association is concerned in part with determining broad objectives, but particularly with the problems of administration attendant upon translating the objectives into reality. As its name indicates, the association is primarily an organization of officials—officials who are engaged in housing activities, both public and private, in local, State, and Federal governmental operations. Its membership also includes nonofficial citizens who are interested in the administrative aspects of housing, and consists in the aggregate

of something over 2,000 individuals—who pay membership dues from their own pockets—together with about 200 local housing authorities, who receive the professional and informational services of the association in return for agency dues. The association is not the recipient of any governmental grants, and does not represent any governmental agency.

The association's program covers four major fields of interest: (1) Housing policy, including such subjects as housing economics, cooperative activities of housing authorities and private housing interests, rural housing, and disposition of war housing; (2) planning, design, and construction of housing, including an evaluation of the design of large-scale public and private housing developments in terms of their livability, economy of operation, appearance, and so forth; (3) administration and management, in which the association makes probably its greatest contribution, in seeking constantly to improve the efficiency and effectiveness of operating methods; and (4) intergovernmental relationships, such as Federal-local relations, the place of housing in the structure of local government, housing and welfare, housing and health, housing and planning—all primarily from the standpoint of administration.

The foregoing outline is not offered primarily to explain what the National Association of Housing Officials is—although the committee is certainly entitled to that explanation—but rather to indicate the nature of the interests of housing officials throughout the country, since the association does broadly represent their thinking. The association takes no part in legislative programs and offers no recommendations as to legislation; rather, it is concerned with efficient administrative operation within such legislative framework as may be determined by appropriate authority. The association can, however, offer observations based on experience, out of the wealth of its knowledge of housing activities throughout the country derived from its service as a clearing house of information, through regional councils and local chapters, by means of active committee work, and as a result of extensive staff contacts. Thus, last year—10 years after it first suggested an outline of housing policy—the association again summed up its thinking in a report entitled "Housing for the United States After the War." Copies of this report have heretofore been furnished for the members of this committee.

It would not be a reasonable use of the committee's time for me to present, or to paraphrase, the recommendations of that report at length. Instead, I wish simply to use some of the more basic of the recommendations as the framework for discussing some of the questions that might arise as to methods.

First of all, however, I wish to say a word on certain aspects of the Nation's war housing experience. In response to great need, and under conditions of great difficulty, private builders and public agencies alike have done a commendable job in providing housing required for effective war production. In my opinion, the result could not have been achieved except under the leadership of a coordinated national housing agency. Neither could it have been achieved without the services of local housing authorities, who turned aside from their great purpose of providing housing for low-income families who cannot get it in any other way, to do a patriotic job—for most of which the best measure of success, beyond its minimum adequacy, is the degree to

which it is assured of no future but liquidation. Private builders, likewise, were called on to do that part of the job which could have a future—and they have done it well, under conditions which they certainly would not have chosen, and at the same time have thereby kept lubricated the operations of private housing production that must be so vastly stepped up after the war.

The war housing production job has now been substantially completed. The management of the war housing under all the strains of wartime is in good hands. In seeking to find the answers with respect to the Nation's housing needs after the war, we must certainly be prepared to deal with the Nation's supply of war-born housing in a way which will best serve those needs. The privately produced war housing—with possibly a few casualties—will continue as a part of the Nation's permanent private housing supply. The total of new and converted units of this housing is over a million. Less than a fifth as much is the total of public war housing of permanent types. Where this housing can serve low-income families, who can thereby be taken out of slum housing, we feel strongly that it should be made available to local housing authorities on suitable terms. Such use would also protect the local private housing market from the disruptive influence of a sudden accretion of competitive housing. If the housing cannot be used for noncompetitive low-rent purposes, it should, first, be offered to the occupants and finally to other purchasers.

So much for the public war housing of permanent types. A much larger amount of public war housing is of temporary types, built to standards which are acceptable only in an emergency and which cannot be tolerated for part of the Nation's permanent housing supply. The temporary war housing must be eliminated as rapidly as possible after the war need is over—through possible use for nonhousing purposes, alteration for rural housing use, or demolition. Some small part of it may be suitable for economically sound alteration to a desirable standard for urban housing use. In any event, its indefinite use in its present form for housing purposes cannot be tolerated.

The low-rent nonwar housing of local housing authorities has not been immune to the influence of war conditions. Tenant incomes have tended to rise. In such cases, the application of a scale of rents graded to income—but within an established ceiling equivalent to private rents for comparable accommodations—has required tenants to pay in accordance with their enhanced ability to do so, thus reducing the needed subsidy—not only Federal, but local as well, since many local housing authorities have voluntarily increased the payments made in lieu of local taxes, on the basis of a percentage of shelter rents. Incidentally, our association took the lead in helping to work out the more liberal policy which is now in effect with respect to payments in lieu of taxes. The incomes of some tenants have increased beyond any normally justifiable limit for occupancy of public housing, but evictions, which are consequent on such increases in normal times, have usually been impossible because of complete lack of available accommodations elsewhere in the community. I speak from my own knowledge when I say that local housing authorities throughout the country are generally uneasy over such instances, as being out of line with the normal situation that should obtain with respect to public housing. This committee need have no doubt as to

the desire of local housing authorities to get back as soon as possible to strict enforcement of upper income limits for continued occupancy of low-rent housing.

Senator TAFT. What do you think those limits should be?

Mr. POMEROY. They should be the income limit below which the family is unable to get decent housing in the private market, either new or second-hand housing, by rental or purchase.

Senator TAFT. That varies in different parts of the country?

Mr. POMEROY. It varies very greatly, sir; and it also varies with time and fluctuates with national income.

Senator TAFT. It seems to me in the legislation we will have to prescribe some standards, but we will have to do it, I suppose, in general terms.

Mr. POMEROY. That is now done in the United States Housing Act, which provides that public housing provided under the act is available only for families whose incomes are insufficient to cause private enterprise to provide them with decent houses in decent neighborhoods.

Senator TAFT. That is so general that it is pretty difficult of interpretation into actual figures.

Mr. POMEROY. I think there will probably have to be reliance on administrative determination rather than any exact formula. Coming back to my reference to the desire of housing authorities to get income limits down: Local authority representatives at a number of recent regional and local meetings of members of our association have been discussing "transition back to low rents," and it happens that this week we are sending to the appropriate committees of our regional councils copies of a draft of what might be called a guide for the reduction of operating expenses in conformity to the expected reductions in income.

With these few observations on war housing and the effect of wartime conditions on low-rent housing, I leave the story of war housing to the testimony of those whose capable direction of its production has made them more competent than I to tell you about it. I wish now to use our association's post-war report referred to above—Housing for the United States After the War—as the basis for a discussion of some of the questions relating to methods for the attainment of a desirable national housing objective.

There is general agreement as to what that objective is. I heard it forcefully declared by the chairman of this committee at a regional meeting of our association in Richmond, Va., nearly 2 years ago. It is stated in our association's report as follows:

The objective of a housing policy for the United States must be the provision of adequate housing for all the people. Adequate housing means housing of at least a minimum standard for every family, with housing above this minimum available to those who can afford it. Adequate housing also means more than sound structures. It means that satisfactory houses must be available in satisfactory neighborhoods. A satisfactory neighborhood is one of such scale, design, and relationship to the larger community of which it is a part, and having such facilities and providing such services, that it is convenient, attractive, healthful, and altogether a good place in which to live.

We, as a people, set this objective of adequate housing for all families, not primarily because it will provide employment—although it will help attain the goal of full employment at a high level of national income; nor simply because it will provide an outlet for investment of private savings—although it will help to utilize idle capital; nor merely because it is a means of proving our faith in what we

are fighting for in the present war. We set such an objective because it is what our people want and know that they can have. Its desirability is not questioned. No thinking person now says that we must always have slums, or that low-income families must always live in hovels, or that blighted neighborhoods are an inevitable part of our urban life. The argument is not as to the objective but as to its definition and as to the best way to attain it.

In that quotation is found also a statement of the two inseparable essentials of good housing—a good house and a good neighborhood. Thus we need not only the techniques and financial methods for producing better houses at lower cost, but also those for eliminating slum neighborhoods, producing good neighborhoods, and maintaining good neighborhoods.

There is no need of attempting here to outline the scale of housing need of the Nation. The record before you is already replete with analyses of data from the census of housing and with estimates of the annual production of housing—of various ranges of cost, rental, and income groups to be served—that will be required to attain our national objective within a reasonable time, suitably related to the factors of need, national income, and the Nation's productive capacity. We find ourselves impressed by the thoughtfulness and the reasonableness of the estimates which have been presented to you by the Administrator of the National Housing Agency.

I wish to suggest that whatever the rate of housing production may be, the provision of adequate housing for the people of the United States requires the doing of three major things:

1. Making the best use of the housing supply.
2. Facilitating the operations of private enterprise.
3. Publicly providing housing for families who cannot be served by private enterprise.

With respect to making the best use of the housing supply, I quote again from the association's report:

To make the best use of the housing supply, adequate maintenance must be assured, whether for owner-occupied or rental housing, and maintenance reserves should be provided by owners. The success of large-scale rental developments depends on making the housing available to the part of the market for which it was intended, efficient operation from a business point of view, good physical maintenance, provision of well-operated community facilities, and skill and understanding in the handling of tenant relations.

Loss of values in prematurely obsolete dwellings is an unnecessary waste that can be minimized by proper design, construction, and standards of living space, making structures capable of modernization as needed. Residential structures should be permitted to remain in use beyond their properly amortized life only so long as their usefulness can be proved. Removal of dwellings as they become obsolete would clear the way for keeping neighborhoods in good condition by replacement in accordance with need.

Private enterprise should endeavor to meet the needs of the market and should be given every reasonable aid to reach as far down the income scale as possible. Again quoting:

The achievement of a large volume of housing in the post-war years presupposes greater activity on the part of private initiative and private investment than ever before. To induce the necessary infusion of capital, the unusual hazards attendant upon investment in housing must be reduced. Tendencies toward neighborhood deterioration should be controlled. Variations in tax rates within the same metropolitan area should be equalized. High title costs and the uncertainties of foreclosure proceedings should be minimized. The system of local taxation should be modified to balance the disproportionate load on real estate. Building codes should be revised in the light of technical progress, and such codes, as well as zoning and subdivision regulations, should be made uniform for metropolitan areas. Adequate means of land assembly and of removing obsolete buildings from the market are needed.

No reference to the need for expanding the field of private enterprise in housing would have a proper starting point without acknowledging the monumental achievements of the Federal Housing Administration and of the agencies assembled in the Federal Home Loan Bank Administration. The operations of these agencies have markedly affected the relation of housing production to the market, the physical quality of new housing, and to some extent the relation of the location of new housing to community patterns. Probably the two greatest advances have been (1) the substitution of the amortized long-term mortgage for the short-term first mortgage, all too often supplemented by a second and even a third mortgage; and (2) the progress made in linking the financing of housing to proper neighborhood land use and good housing standards.

The continuation and expansion of these beneficial operations, together with the other means suggested for facilitating the operations of private enterprise, should enable private suppliers of housing to serve families of lower income than heretofore. Sound—and prevailing—policies governing so-called public housing leave a substantial margin between the upper income limits served by it and the present lower limits served by private housing, with private enterprise having the right-of-way in this in-between area. Mutually owned housing developments offer good possibilities for helping occupy this now inadequately served area.

Until that millenial day when every family will have an income at least sufficient for its minimum needs, there remains a segment of the population with family incomes so low that private enterprise can no longer operate as such, that is, at a profit, in the provision of decent housing for it. Sound public policy now recognizes the need for public subsidy as the only means whereby this part of the population can be supplied with decent housing. I believe that this committee needs no laboring of the considerations justifying this policy, nor any refutation of the now generally discredited idea that housing built for higher income groups and "handed down" to progressively lower income families can adequately serve the needs of families on down the income scale. Without any extended discussion of the obvious economic fallacy of this method, it need simply be pointed out that it has been in operation during our entire national history and that it has produced a substantial part of all our slum areas.

The principle of public subsidy is at the heart of the low-rent housing programs conducted during recent years by local housing authorities in various parts of the country with the assistance of what is now the Federal Public Housing Authority and with State aid for some of the developments in the State of New York. These programs have been successful. They have cleared slums—the first effective slum clearance in our history except for an occasional private housing development built on a slum site—and, unlike the latter, they have replaced the slum housing with housing that could serve the former slum dwellers—in other words, with suitable housing at the rents that former slum dwellers could afford to pay. These public housing programs have taken families out of slum dwellings and have put them into decent housing, lifting them to a higher level of community responsibility; and they have eliminated slum dwellings—over 90,000 of them, as against about 105,000 dwelling units of new public housing, up until war conditions made it necessary to defer further

elimination. The record of these public-housing programs is a good one, and it is an improving one. The design of some of the public housing developments is inspiring; that of many of them is dull—but, even so, the housing stands in striking contrast to that which it replaced, it is assured of proper maintenance, and it affords living conditions infinitely better than anything otherwise available to the families it serves.

Beyond considering any improvements in basic procedures that will assure more efficient operation of the present public housing program—and several such improvements have been suggested to you in earlier testimony—your committee may well ask, admitting the need for public subsidy in order to provide decent housing for families who cannot be served by private enterprise at a profit, whether some other application of the subsidy would be more effective than that obtaining in the present program. This is a valid inquiry. Any use of public subsidy should be subject to continuing and searching examination as to its effectiveness and its efficiency. I believe that the following conditions should be satisfied in any use of public subsidy: 1, the subsidy should be clearly identifiable and measurable; 2, it should go as directly as possible to the accomplishment of the desired purpose, complicated and obscure procedures in the application of subsidy should be avoided; too much of it can be used up just in lubricating the machinery; 3, it should be capable of accomplishing the desired purpose, and should be sufficient to do so; 4, it should achieve the maximum result for the amount used; and 5, the method should be flexible, so that the amount of subsidy can be adjusted to variations in the need.

Senator ELLENDER. In your experience, have you found that the subsidy now paid by the Government does not conform with those five methods that you have indicated there?

Mr. POMEROY. I believe the subsidy now being paid by the Federal Government conforms fully to those conditions.

Senator TAFT. With the possible exception of the departure, since the war, into the high-income group.

Mr. POMEROY. Yes; that is true.

Senator ELLENDER. That has been made flexible, though. Subsidies were reduced considerably.

Senator TAFT. I mean in the war they have more people in the high-income group, so it has gone to people who do not require it.

Senator ELLENDER. As to those cases, do they obtain a rent subsidy?

Mr. POMEROY. Yes.

Senator ELLENDER. You said that the five suggestions you have made there have been carried out, as far as you know, in regard to all of the subsidies paid by the Federal Government.

Mr. POMEROY. I believe so, because the subsidies are identifiable, they are measurable, they go directly toward a reduction in the rent, they thoroughly accomplish the desired purpose and do it as efficiently as can be done, and they are adjustable to need.

Considerations of openness and directness have led some persons to suggest that public subsidy to enable low-income families to obtain decent housing should be applied in the form of "rent relief" paid to families by welfare agencies, thus applying the subsidy directly to the

supplementation of the deficient incomes that create the need in the first place. It is argued that families receiving relief buy their groceries in the private market, and should also obtain their housing in the private market. The analogy might be valid if all the housing in the private market were maintained at standards comparable to those assuring the sanitation and quality of groceries. Unfortunately, such is not the case. Groceries are not permitted on the market in all the stages of deterioration that characterize the housing that is all that families obtaining relief could obtain in the private market. The only alternative in the housing market would be the imposition of standards requiring a degree of rehabilitation or replacement entirely beyond any possibility of financing on the uncertain security of relief payment—plus a degree of continuing supervision that would make the controls established under O. P. A. appear like the gentle urgings of a Sunday school teacher.

In order that the rent relief scheme might be examined by representative groups in the field of welfare, our association established a joint committee to analyze and report on the proposal. I am filing with you a copy of the report of this joint committee. The committee's conclusions, as approved by the executive committee of the Family Welfare Association of America, the executive committee of the American Public Welfare Association, the executive committee of the American Association of Social Workers, the National Committee of Housing Associations, and the board of governors of the National Association of Housing Officials, were as follows:

Objections to the substitution of the rent certificate plan for public housing include the following:

(1) A large number of individuals would be added to the rolls of relief agencies.

(a) Millions of persons who need improved housing, including many who are otherwise financially independent, would be forced to accept rent relief through welfare agencies in order to pay rents sufficient to obtain housing which meets a minimum standard as defined by the respective municipalities.

(b) There would be many complex difficulties in establishing and maintaining the eligibility requirements governing assistance in the form of rent certificates.

(2) Local administration of the plan would be costly and complicated.

(a) Recurrent inspection of dwellings scattered throughout the city, record-keeping, income checks, investigations for millions of families living in sub-standard housing would involve a vast expenditure of public funds.

(b) Local welfare agencies would be able to cope with the administrative problems of this plan only if provided with largely increased appropriations for additional staff and facilities.

(c) Local welfare agencies would be forced to engage in the granting of relief in kind, a practice that is now being given up as unsound welfare policy.

(3) The rent certificate plan would be more costly to the taxpayers than the existing public housing program.

(a) The rentals of private housing meeting a minimum standard are about \$15 per month in excess of the unsubsidized rents of public housing. Therefore, the rent certificate plan of assistance would necessitate a very great increase in subsidy if the same standards are to be met.

(b) Public subsidy to low-income families to enable them to obtain adequate housing would continue. The burden of an increased subsidy, however, would fall on the taxpayers who support local welfare agencies. There is question as to whether sufficient funds would be allocated to welfare agencies for such a program.

(4) A needed new supply of low-rent housing would not be provided.

(a) The present program of rent allotments by welfare agencies often results in the housing of welfare clients in slum housing.

(b) The rent certificate plan would not provide the means for the construction of low-rent housing.

(c) Unless the supply of new low-rent housing is increased, progress cannot be made toward solving the problem of providing adequate housing for all families of low income.

(5) Substandard housing would not be eliminated.

(a) Even with the increased rents paid under the rent certificate plan, the improvement of blighted neighborhoods would not be assured, and there is no positive provision for the redevelopment of the slums.

(b) Localities would need improved housing codes and methods of enforcement. The facts are that few localities have adequate housing codes and enforcement experience. It is unreasonable to expect that the housing regulation activities of cities can suddenly be vastly improved and expanded.

Senator ELLENDER. Mr. Pomeroy, do any of the investigations made by the committees you have mentioned show the difference in cost to the taxpayer between the present method and the rent certificate plan?

Mr. POMEROY. It depends largely on the extent of the local check-up. I have seen some figures, not authenticated and analyzed, for New York City where the cost of check-up is a substantial item per family per year. Of course, many communities do not provide that kind of a check-up, with the result that the families that receive relief that goes to rent do not get decent housing for it. To maintain a decent standard of housing the cost would be very heavy.

Senator ELLENDER. Will you be a little more specific?

Mr. POMEROY. I am sorry that I do not have the figures, Senator.

Senator TAFT. Mr. Pomeroy, I am not for the rent certificate plan, but I do not quite follow the last part of the argument, because presumably if everyone had enough income to pay an economic rent, say the economic system produced it, you would not have any Federal housing problem. If you had enough income available for rent you would gradually produce adequate housing. I do not see why the rent certificate, administered on a general scale, would not do the same. I can see where it would cost three times as much, because the present housing program does not reach one-tenth of the low-income group, so of course it will cost a lot more money. But I do not quite see, if you spend the money, why it would not in time produce housing.

Mr. POMEROY. That "if," Senator, is the determining question. Obviously, if the national income assured everyone a satisfactory family income we would not need any more public housing, and that day we hope will come sometime. Likewise if there were any possibility under a rent-relief scheme for assuring adequate funds and a continuity of those funds, it should be possible to get decent housing built, but there is no possibility of any such assurance.

Senator TAFT. I agree with you. I do not think it is a practical plan. The plan which you are dealing with perhaps next, the plan of a subsidy to private builders, new builders, conforming to standards, supplementing the subsidy by Federal housing authorities, what do you think of that?

Mr. POMEROY. I shall offer some comments on that immediately following a word or two in conclusion on the rent-relief scheme.

Quoting further from the joint committee report:

Vigorous enforcement of adequate housing regulations would result almost immediately in a shortage of housing accommodations. In all areas where the percentage of vacancies of low-rental housing is low, excessive rents would prevail unless effective rent control were established; otherwise, public funds would be paid to the owners of substandard buildings, thus subsidizing and perpetuating poor housing and blighted areas.

In view of the foregoing, the Joint Committee on Housing and Welfare believes that the rent-certificate plan would fail to meet the need of low-income groups for good housing.

The advocates of direct rent relief have, however, put their finger on a point of considerable appeal and of some validity, and that is the desirability of making some use of existing older dwellings for the housing of low-income families. When the cost is reduced to an annual basis, the feasibility of any workable plan for thus using older housing is apt to be illusory, but, insofar as it can be done in a financially sound manner—with the assurance of satisfactory housing in satisfactory neighborhoods, there is good reason for this using of older housing. To do so would require modification of the present program so far as the subsidy formula and the period of amortization are concerned.

Senator ELLENDER. As I recall, Mr. Blandford made some suggestion along that line. In his estimate of 12,600,000 homes I understood a certain percentage of the homes would be leveled in order to clear slums and others could probably be repaired. I think he made an estimate that at least 33 percent of them might be in that category.

Mr. POMEROY. I do not recall what figures Mr. Blandford used.

Senator ELLENDER. That is my recollection.

Mr. POMEROY. I feel that the use of rehabilitated old dwellings for housing low-income families would probably have to be pretty much limited to neighborhoods where the rehabilitation of some dwellings would bring about a salvation of the neighborhood, rather than in any neighborhood that inevitably was spiraling down in deterioration and was not capable of providing decent neighborhood surroundings.

Coming now to the question last raised by Senator Taft:

Another valid question as to the application of public subsidy for housing for low-income families is as to whether it should not be made available to private enterprise to do the job now being done by housing authorities. Two considerations should be borne in mind initially in approaching this question. One is that there is no gulf separating "private enterprise" and "public housing" in the provision of housing for low-income families. In the production and operation of so-called public housing, private enterprise performs, at a profit, all the operations in which there is a profit. Private owners normally sell land at a fair return to a builder of housing; they do so to a housing authority, as a builder of housing, and with the aid of established real estate brokers, appraisers, land purchasers, and so forth. Private contractors construct at a profit, the housing that a producer of housing builds; they do so for a housing authority as a producer of housing. Private producers and distributors, through the normal channels of trade, provide, at a profit, the materials and supplies used in the construction and maintenance of housing; they do so for a housing authority as an agency engaged in the construction and maintenance of housing. The only point at which private enterprise does not operate in public housing is in the supplying of the accommodations to the tenant—and that is a point at which, by the very economics of the supplying of a product at much less than cost, there cannot possibly be any profit.

Let us keep that point in mind, not as a conclusive answer, but as an important fact. Along with it, let us keep in mind that if private

enterprise is subsidized so that it can supply at a profit that which, without subsidy, cannot be supplied except at a substantial loss, then it is no longer private enterprise but, in effect, an agent of government—and certainly so if we consider all the controls necessary to assure the desired result from the use of the subsidy.

There certainly can be no moral issue involved here. The question becomes simply one of getting the best result for the expenditure of the least amount of public funds. The obtaining of a satisfactory result would require an inordinate degree of governmental supervision and control—supervision of selection of tenants, policing of income limits by frequent check, frequent public auditing of accounts, meticulous standards of operation, and so forth—all the measures that are normal to public operation but would be exceedingly onerous and distasteful to private operation. Yet no less than this would represent a sound stewardship of public funds.

Private enterprise has shown little interest in operating down near the marginal family income line, even with inducements, or within the framework of milder controls than would be required under a system of subsidy such as we are discussing. The nearest thing to the suggestion is found in the limited dividend corporation laws, first adopted in the State of New York in 1926, and subsequently in 14 other States. Even though some of these laws provide substantial inducements, such as partial tax exemption and even though the States in which such laws are in effect contain 59.5 percent of the urban population of the country, including the majority of the larger cities of the country, the years of experience have produced a total of probably not over 7,500 dwelling units in not over 20 developments in the entire United States. I do not have exact figures and there may be some variation in that, but it is roughly a measure of what can be accomplished.

Even if we admitted the desirability of providing and operating the needed low-rent housing entirely through private enterprise, and even if private enterprise were interested in the proposition, the return on the money which private enterprise would legitimately want would greatly increase the annual subsidy which the Federal Government would have to pay.

Now, I should like to make one comparison of figures on record and then give you another comparison based on probabilities.

Commissioner Ferguson, of the Federal Housing Administration, in his very thorough testimony before this committee a few days ago, stated that \$55 per dwelling unit per month is the average rental in the large-scale limited dividend program of the F. H. A. Commissioner Klutznick, of the Federal Public Housing Authority, in his likewise thorough testimony before the committee, stated that the economic rent of public housing without the benefit of any subsidies was \$36.31 per month. There is nothing invidious in the comparison, and there are perfectly sound reasons for the difference—having to do with the relative cost of the money and relative risk. The F. H. A. units are probably of a higher standard of design, while the public housing units probably average more bedrooms in order to serve larger families. In any event, it is apparent that if we undertook to subsidize private housing produced under the current limited dividend pattern and reach the same rents as public housing reaches, the subsidy would have to be \$18.69 per month, or about \$224 a year higher in one case than in the other.

Senator TAFT. I disagree entirely. I do not think that is a legitimate conclusion to be drawn from those two reports.

Mr. POMEROY. I agree with you, Senator. I simply say if we met the present rental scale in large-scale private housing that would be the situation.

Senator TAFT. You are speaking of the F. H. A. average rent on projects designed for entirely different purposes.

Mr. POMEROY. That is right.

Senator TAFT. That is not to be compared to public housing or to what you would build if you were building for low-income groups. I do not see the comparison at all.

Mr. POMEROY. I agree with you as to the comparison of the two figures before us, but even so, it should be pointed out that the F. H. A. is not operating at the top of the scale by any means. Fifty-five dollars a month is not a top rent. But let me present the other comparison that I mentioned—and I think that this is a valid one.

It has been suggested that it might well be possible to interest larger corporations, such as the life-insurance companies, in the provision of low-rent housing which they would build wholly with their own capital and on which they would ask no profit beyond a fixed return on the investment.

To expect an insurance company to put its money into a rental-housing project, it must be offered a greater return than it can receive by merely purchasing and clipping coupons on a Government bond. Certain additional factors must be taken into account. That is why for instance the F. H. A. cannot be expected to provide interest rates comparable to those on Government bonds. There is the cost of financial management, there is the risk involved, there is the question of fluidity, as well as the cost of insurance.

The present rate obtainable on longer-term Government bonds is about 2½ percent. These are not tax-exempt. If we expect an insurance company to finance and undertake the construction of a rental-housing project and then operate that project, we must offer it more than this 2½ percent rate it can get on a Government bond. How much more?

The present F. H. A. regulations under section 207 for limited-dividend projects provides for a limitation on the dividends on stock representing the equity in such projects of 6 percent, with provision for as high as 8 percent. Nevertheless, as Commissioner Ferguson pointed out in his testimony before this committee, the F. H. A. has not been able to induce a large volume of such projects. Even where such projects have been started, he points out that one-third of them subsequently withdrew from this F. H. A. insurance operation with its limited-dividend feature. So, with the present 6 to 8 percent permissible dividend on equity capital in limited-dividend projects, this type of project has not been attractive to private capital. Hence, it is apparent that a still lower return would be less attractive.

Let us consider the question of the relative costs of providing subsidies to such limited-dividend corporations as compared with the present system of paying such subsidies to public-housing agencies. These public agencies operate without any profit, even of a limited character. They have undertaken the task of constructing and operating projects without any return for their work in the discharge of these responsibilities. The members of the local housing authorities

serve without compensation as a public service to their communities.

It is true that the money which builds these public-housing projects is borrowed and must be repaid with interest. These authorities have been paying less than 2-percent interest in some cases, but to eliminate any factor of the value of tax exemption on other bonds, let us assume that the Government raises the money on its non-tax-exempt bonds at the current long-term rate of 2½ percent. We then have a differential between this 2½-percent rate and the 6 percent to 8-percent rate on whatever capital an insurance company or other investor puts in as equity. Undoubtedly if the equity is increased the rate may be expected to go down. Even if we assume a 5-percent rate, there is still a considerable differential, which would add to costs and add to the subsidies the Federal Government would have to pay. It is no criticism of the private entrepreneur that he wishes a 5-to 8-percent return on his equity—that is to compensate him for the work involved in undertaking such an enterprise. But such a return and such compensation are avoided in dealing with a public-housing agency which operates without any profit and with the donated services of its board. It does not sound realistic to me to expect that private capital would be interested in a much lower return than it is now getting, considering the element of risk which it would have to take. It could certainly not have an open-end commitment from the Federal Government which would guarantee whatever the deficit might be, then there is the cost of operation, and the return also must represent whatever profit the investor gets.

Senator TAFT. I do not see why your argument does not prove that the Government ought to go in and take over every business and conduct it, because they can always do it cheaper because they can borrow money cheaper. Why does not that apply to every business?

Mr. POMEROY. What we are after here, Senator, is an operation that will provide a product at the lowest possible cost for families who are economically incapable of paying their way. Families that are economically capable of paying their way carry their fair share of the total load of the national economy. Those that are incapable of paying their own way need to have provided for them the things that are essential at the least possible cost to the taxpayers.

Senator RADCLIFFE. Of course, they need other essentials besides housing. They need living expenses, which are just as urgent.

Mr. POMEROY. That is right. There are two classes of people who need help in getting housing: There are those families who find it necessary to have supplementation of their incomes for most of their living essentials—food, clothing, medical care—as well as housing. Now, economically above those there is a large group of people (whatever the cause may be; part of it is deficient national economy, part of it is found in disabilities affecting the whole house-production industry, such as not having been able to take full advantage of technological improvements), a group of people that are able to get everything out of their own resources except housing, that is, decent housing. They go into the private market and they get food that is of guaranteed quality, they get clothing that is satisfactory, they get various other things out of their own resources, but when it comes to housing, what they can afford to pay doesn't make it available to them in the private market—that is, decent housing, which puts housing in a different category from other minimum needs.

Senator RADCLIFFE. I do not want to ask you to leave your program at this time, but just a moment ago you suggested that possibly some insurance companies might be interested or might be willing to go into some such arrangement as this by which they would be content with a small income, a relatively small income. What has been the history about that? Every now and then we hear of certain suggestions, or attempts made by various insurance companies along such housing lines. I think I recall reading the other day of one of the big New York companies, possibly the Metropolitan, that was going to develop housing in a certain area.

Senator TAFT. It has a big development across the river.

Senator RADCLIFFE. Does that fit in with what you have in mind—is that a different type of construction—or does that operate in any way along the lines which you have suggested?

Mr. POMEROY. No; those developments of the Metropolitan are in the field of the provision of housing at economic rents, such as the one across the Potomac; there is a very delightful one in Los Angeles that I visited not long ago; there is one in San Francisco that I saw under construction, and there is Parkchester in New York.

Senator RADCLIFFE. That is no help primarily to the low-income people.

Senator TAFT. They have not gone into that field.

Senator RADCLIFFE. I do not know whether there had been any serious efforts made to to that kind of thing.

Mr. POMEROY. There has been no provision, Senator, for any subsidy to enable those companies to get below an economic rent level.

Senator RADCLIFFE. Are you suggesting that if the insurance companies do go into such operations that they be subsidized?

Mr. POMEROY. No; I do not favor such subsidies.

Senator TAFT. My suggestion is that they might get private capital to do these things. Take in Cincinnati—we have the Model Homes Co. there—they had a limited dividend corporation for a long time. Of course, they have not reached the lowest-income groups probably but they might say, "Why should not we have the same benefit of subsidy to reach the low-income groups as the Metropolitan housing authority?" That is the argument that occurred to me. I am only trying to find ways in which we may limit the extension of Government ownership and operation beyond what is absolutely necessary; that is all. I made the suggestion the other day, and it has produced interesting comments. I am glad to have your views on it.

Mr. POMEROY. Thank you, Senator. I think the measure of it must be an actual analysis of what the cost would be.

Senator TAFT. My suggestion is not to use it to replace public housing but that the subsidy field should perhaps be open also to private investment or semiprivate investment, limited dividend companies.

Mr. POMEROY. I understand.

Senator TAFT. Do you know whether any of the large insurance companies are giving any serious thought to this idea?

Mr. POMEROY. I do not know whether they have any desire to obtain a subsidy to get down below the economic level. The Metropolitan Life Insurance Co. has shown a great deal of courage and foresight in taking advantage of such operating procedures and legislation as it had available. The company is going in under one of the

two limited-dividend laws in New York, in the clearance of a large slum area on the East Side for the building of what could be called a redevelopment project, but that again operates in the field of economic rents.

Senator RADCLIFFE. Yes. I so understand.

Mr. POMEROY. One of the most striking examples of limited dividend operations in New York is one of the two developments that was financed by R. F. C. loans; that is, Knickerbocker Village, in the lower East Side of New York. There the company was up against a terrific land cost that made it impossible to get very far down with the rents. I understand the land actually cost about \$17 a square foot, including carrying charges during construction. This required, first, a heavy density coverage of the land. The rents were fixed at \$12.50 per room per month. The top family income, the last time I had any figures, ran about \$4,500. That, of course, does not represent slum dwellers in any language.

I will get on to the question of urban redevelopment later in my statement, including the thought that private enterprise should be aided to operate in redevelopment areas by a reduction in land cost, making it possible to reach farther down the income scale. I once heard Dr. John Merriam refer to a "zone of nebulosity," and that term probably describes the present "in between" area in housing. Our association strongly believes that there should be provided encouragement for private enterprise to operate in this area but does not believe that subsidy to private enterprise is the way to provide housing for low-income families.

Senator TAFT. Of course, it is encouraging if you can find ways to get the accumulated savings of a large number of people into an equity investment.

Mr. POMEROY. That is right.

Senator TAFT. I think the insurance development is a very desirable one. Whether it can be extended down to the low-income groups I do not know. I asked the question here the other day.

Mr. POMEROY. I think that it was a very honest question and that it should bring about a valuable exploration of the subject. I will go along with you on any form of subsidy which satisfies the five qualifications that I previously outlined. I think that they are fundamental.

Senator RADCLIFFE. You think the element of subsidy is indispensable?

Mr. POMEROY. If families do not have incomes sufficient to obtain decent housing at a profit in the private market, there is no other way they can get it except through subsidy. They cannot get what they cannot afford. People do not live in slums because of sin, or a desire to be squalid—except, maybe, a fraction of a percent—but because they cannot afford to live anywhere else. I have visited the slum areas in most of the cities of any size in the United States and I am quite sure that the families living in them are not there by choice.

Senator RADCLIFFE. I do not want to get you too far away from your point, and maybe you will touch upon it later, but what is your impression in regard to what has been done in order to prevent the development of slums? We give much consideration to eliminating slums, and in a very general way we give some thought as to how to prevent a specific neighborhood from degenerating into slums. Do you intend to develop that later on?

Mr. POMEROY. I shall touch on it in connection with my discussion of urban redevelopment.

Senator ELLENDER. But in respect to the question that we are discussing, have you or your associates sufficiently studied the cost to the Government should subsidies be paid to private corporations, rather than under the present method?

Mr. POMEROY. May I give you a figure, based on a hasty analysis, that I would rather not put into the record because I am not prepared, on behalf of the association, to swear that it is precisely correct?

Senator ELLENDER. Suppose you put it into the record as your own private opinion?

Mr. POMEROY. It is a private estimate.

Senator ELLENDER. Just for what it might be worth.

Mr. POMEROY. In my opinion, at a 5-percent rate of return for the private capital invested, the difference, for a \$4,500 dwelling unit, with the cost amortized over 45 years, would be \$85 per year additional cost to the Federal Government—which would mount up very heavily in any sizable program. Now, I say please do not ask me to swear to the exactness of that figure, since it is based on a hasty computation, but I think that it is substantially correct. At 4½ percent, if you could get down that far, it would be somewhat less, of course. At 6 percent it would run up to \$123.

Senator ELLENDER. Assuming that your figure is correct, how much more would that be than what it would cost the Government under the present set-up?

Mr. POMEROY. Well, the present average subsidy for low-rent housing has been running about \$100 per family per year, so that at 5 percent for private capital there would be an increase to \$185, and at 6 percent to \$223. Even at 4 percent—which I think would be impossibly low—the increase would be \$49 to a total of \$149. All these figures are based on a 45-year amortization of a dwelling unit costing \$4,500.

Senator TAFT. The chief practical difficulty I see in it is the difficulty of providing local tax exemption. Of course, we haven't gotten over that hurdle entirely with the Housing Authority; not in Ohio, at least.

Senator ELLENDER. Then, I do not presume you could clear the slums as easily as it can be accomplished under the present set-up. That is another thing that you must fit into the picture.

Mr. POMEROY. I think probably that private enterprise in slum-clearance operations would have to be geared with the urban redevelopment type of clearance of slum areas, where the land could be made available at use value rather than the value that private enterprise would have to pay for it in the open market, like the \$17 per square foot for Knickerbocker Village.

Senator ELLENDER. Of course, the other point that was made by Mr. Guste yesterday was that, assuming that the project would be paid out in 45 to 60 years, such a project would still belong to the insurance company or any private corporation that would manage it, whereas under present methods it is still public property of a quasi nature and—

Mr. POMEROY. You are anticipating me, Senator.

Senator ELLENDER. Oh, I am sorry.

Mr. POMEROY. And I did not have the opportunity of hearing Mr. Greste, either.

Senator ELLENDER. I am sorry.

Mr. POMEROY. That is certainly all right. Here is my own statement on it:

I think we would all agree that where public subsidies are involved, we should endeavor to do the job of rehousing low-income families at the lowest cost. In my opinion, this is achieved under the present system of annual contributions to local housing authorities.

There would seem to be no valid reason for saddling the Federal Government with an additional burden, which, in the aggregate, would reach heavy proportions in any housing program making any substantial progress in solving the problem of housing low-income families. Under the proposal that private enterprise be subsidized, private enterprise itself, in its inevitable obligation to Government, would in reality cease to be a private enterprise. From the standpoint of the community, housing produced under such a scheme would, at the end of the period of amortization—or at any earlier time of the discharge of the debt—pass out from under any control of occupancy and cease to serve a low-rent function, thus requiring additional new construction to serve low-income families. Contrasted with this, public housing at the end of the period of amortization of the debt remains in public hands, free and clear, able to continue to serve a low-rent function with little or no subsidy. Maybe it could even start to pay full taxes. Finally, under the subsidy to private operation, there would inevitably be less attention to the tenant relations that, in public housing, make such a fruitful contribution to better citizenship. This is no place to discuss the extent to which various community services should or should not be provided as a part of public housing developments. Under any answer to that question, however, there is still a landlord-tenant relationship in public housing that powerfully contributes to a continually increasing attitude of community responsibility and greater economic self-reliance on the part of tenants, looking toward their “graduation,” as housing authorities sometimes put it, to good private housing and, if feasible, to home ownership. It is not likely that subsidized private operation could be expected to have either the patience or the skill for this type of landlord-tenant relations.

In terms of cost and results alike, the general pattern of providing housing for low-income families through the instrumentality of local housing authorities has proved itself to be sound, productive, and conservative.

Another question that has been asked is: Why should we build for some low-income families unless we are going to build for all of them? Of course, we can't build for all of them at once, but I think it is fair to expect that we should have a program which does contemplate doing the whole job in time.

But what is the whole job? Is it something that officials in Washington can determine? Is it something that we can determine by looking at the census figures showing the volume of housing which is in need of major repair, lacking in indoor toilets or plumbing, or otherwise deficient according to certain standards which we fix?

In my opinion, the size of the job to be done and the need to be met cannot be determined in this way. This is a local program, to be

initiated, built, and managed by local authorities. Each community should determine the size and rate of the program which will best meet its needs. In each community the local authority, in consultation with private builders and realtors, should determine how far down the family income scale private enterprise can reach. The public program should stay out of this area and leave a gap for the expansion of private enterprise. However, there should be a program of further Federal aids and incentives to induce private enterprise to fill this gap, so that as a matter of equity the needs of this group will be met. If each community is to determine the area to be left to private enterprise, we cannot make any sound estimates of need and demand based on some Nation-wide assumptions of what private enterprise can do.

A similar observation can be made as to the standards to be applied in determining what housing is substandard and should be replaced. Some of the smaller communities or some sections of the country may determine that certain housing is not substandard according to its views, even though similar housing in other large cities or in other sections of the country is regarded as substandard. This is a question for local determination, and we cannot make any sound estimates of need and demand based on some Nation-wide assumptions of what is standard housing.

Likewise, as to the rate of meeting whatever need is locally determined, some communities may wish to meet their needs in 5 years, others in 10, still others in 15 or 20 years.

In view of the fact that the housing program is a local program which should be based on local determinations, I believe that the size of the national program should represent the total of all these local programs.

I think that the Federal Government discharges its responsibility when it makes subsidy available to the local communities who want it and in the amounts that they determine are needed. We should not assume that the Nation-wide program will correspond to a total number of substandard housing units as shown by the census:

First, because the determinations of need and meeting the need should be a local and not a Federal responsibility. As I have already stated, the local programs should be based on local determinations as to the field to be met by private enterprise, as to the standards for determining what housing is unfit, as to the rate of carrying out the public housing program.

Second, because there may not be a local demand which parallels the need. For example, while 39 States now have low rent housing legislation, 9 States with 9 percent of the population haven't yet passed housing authority laws, although I think that some of them will probably do so in the near future. While most of the urban population now has local housing authorities in its respective areas, there are important cities which have not yet set up housing authorities.

Third, there are families living in substandard housing who pay a rent which should enable private enterprise to provide them with decent housing. Commissioner Klutznick pointed out that the rents charged as admission to low-rent housing varied from about \$18 to \$22 between 1939 and 1944, which includes about \$5 for utilities. This represents a shelter rent of from \$13 to \$17 on the average.

Families in substandard housing who are paying substantially higher rents than this are part of the group which private enterprise, with added incentives and aids, should meet.

Fourth, we should build on a basis that some of our goals for America will be achieved, including full employment and somewhat higher incomes. We can assume that there will always be low-income families. I hope we don't have to assume that they will stay in the same proportion as in 1940. We should allow for an achievement of reasonable goals and in a 10-year program we should urge localities to build for somewhat less than the total need based on 1940 incomes. If incomes generally do go up and if in addition the projects give tenants greater ambition, we will not have overbuilt. If during or after 10 years, we find that there is an unmet demand and that incomes have not increased, we can raise our sights and build more. All the while, I think our policy must be to build to meet the need and demand, as locally determined. The only question is as to the extent of the need 10 years hence. It is probably better to be conservative in estimating public housing needs, so as to avoid any possibility of building more than will be needed.

I should like to come now from these generalized aspects of housing down to the problem of housing in place, in the community. Whatever the aggregate national housing need may be, and whatever formulas may be devised to meet it, houses are not built on a theoretical national level nor in a physical framework of a formula. They are built on the ground, in the neighborhoods of the cities and towns and rural communities of the nation. They must fit into sound physical community patterns and they must serve local needs. So well recognized has the need for effective community planning become that but to mention it is to call to mind the overwhelming validity of that recognition.

Good planning will present sound land use plans. The effectuation of sound land use plans will frequently call for programs of extensive urban redevelopment. We have heard declared the importance of halting the flight to the suburbs and of restoring values to the decaying cores of cities. I should like to talk a little realistically about the whole subject of urban redevelopment. In the first place, there is no magic formula whereby the vast cost of rebuilding cities can automatically be translated into profits and surpluses. In the second place, the terrifically complicated problems attendant upon extensive urban rebuilding—even assuming complete willingness to proceed and the availability of huge sums to do the job—will mean that there is no waving of a post-war wand that will get the job done quickly. Now, what I want to say is this: I am concerned with the families—the men, the women, the children, the babies—who are living by the hundreds of thousands and the multiplied millions in the slums and dilapidated neighborhoods of American cities and towns and rural communities—and I don't want them to have to wait for decent housing until we have developed brand new techniques and formulas, and have found great reservoirs of money to rebuild the cities of America wholesale. Some day our pictures of alabaster cities gleaming undimmed by human tears may find reality—but on the long march to that day I want to see some of the actual misery and degradation and indignity and the terrible cost of our slums cleaned up.

Granting the desirability of Federal aid to local public works as a valuable contribution to a sound national economy and to the attainment of full employment, I find no deep urge that can justify me in saying that the Federal Government should assume the major part of the obligation of rebuilding the industrial areas and the business districts and the transportation systems of American cities. But I can find a valid national interest in the conditions under which the people of the Nation must live, and it is my view that urban redevelopment should begin with a program of slum clearance and neighborhood rebuilding that will have for its primary purpose the enabling of private developers, and public housing agencies, as necessary, to provide decent homes in decent neighborhoods for American families.

The wiping out of areas of bad housing will frequently leave land that should be used for a variety of purposes, rather than housing alone, and we must turn to good city planning for a guide as to what these uses should be, as well as for the general physical pattern according to which redevelopment should take place. We must also be as sure as we reasonably can be that in the process of redevelopment we are providing protection against a repetition of the conditions that required the redevelopment in the first place. That can be accomplished in part by the proper design and lay out of the neighborhood. Whether the land in a redevelopment area be sold or leased, there should be provision for its recapture—after a reasonable initial period that will leave investment undisturbed in the event of unanticipated conditions warranting redesign of the area. We might wipe out a slum area, redesign it, and erect buildings that are to be amortized over 45 to 50 years or more, all according to sound plans, but how can we anticipate everything that might take place in the dynamics of the city's development? The community needs to retain for itself the right to return the land to an amorphous condition, so far as its urban design is concerned, so as to be able to impress a new pattern of development on it if necessary. Furthermore, so closely interrelated are the component parts of any pattern of urban land use, and so contagious is deterioration of buildings, that there should be entailed on the land the obligation for financially sound measures for the proper physical maintenance of buildings, and for their ultimate removal.

Land in a redevelopment area should be made available for use—whether by sale or lease—at a value determined by the use. That value will frequently be less than the cost of acquisition, thus requiring subsidy to make up the difference. Needed public housing, no less than private housing, should have the benefit of such write-down in value, rather than, as now, having to carry the double subsidy of both writing down land cost and making up for the deficient incomes of low-income families. The subsidy should be provided on an annual contribution basis, and thus be adjustable to variations in need reflecting variations in return from the land. Capital subsidies are not capable of this flexibility. Neither are manipulations in the interest rate on loans—which would have the further disadvantage of concealment and some elements of subterfuge—we note the close relationship between this type of operation and the procedure under the United States Housing Act; and we suggest the availability of local housing authorities, which are responsible local units of government, locally controlled, and dealing with closely similar operations, as local agencies for development.

From the maturing of the experience of local housing authorities, and out of their increasing recognition of the total housing problems of their respective localities, is appearing a bright hope for better housing for American families. Around the council table in many communities throughout the land—an ever-increasing number of them—are meeting representative citizens for the purpose of reaching understandings as to local housing problems and of devising means of solution. The housing problem of a locality cannot be broken down and separated into insulated compartments. Whatever responsibilities various local agencies and interests may have in the field of housing, they are all dealing with various aspects of the same broad problem—that of providing decent housing for all families—and the results of their activities are physically, economically, and socially interrelated. It is here, in the local community, that housing is built; it is on the local scene that the various housing activities of the Federal Government must focalize. Inevitably, Federal activities in housing must be administratively coordinated for a good job to be done. Whatever detailed form a permanent national housing agency may take, it would be unthinkable for the coordinated agency without which the war housing job could not have been done to disintegrate post-war into the 16 agencies which were gathered into the National Housing Agency as a war measure—or into any considerable number of them—or into the groupings that now make up the three constituent agencies of the N. H. A. The variety of agencies that, working separately, could not have done the wartime housing job at all, cannot, working separately, do the peacetime job well. After subtracting all the activities that the war emergency has made necessary, there remain functions running through the whole national housing problem that call for a coordinated national housing agency as the means of expressing the complex of interests that the Federal Government has in aiding in the great job of providing decent housing for the entire people.

Senator RADCLIFFE. Mr. Pomeroy, may I ask you one question?

Mr. POMEROY. Yes, sir.

Senator RADCLIFFE. As I recall it, you stated that efforts should be made to prevent the recurrence of slums. Do you feel in any place or places efforts, on a comprehensive scale which have been satisfactory, have been made in that direction? In other words, do you know of any place where that problem is being studied, and not only studied but is being handled with any considerable degree of satisfaction?

Mr. POMEROY. I do not. I could recount for you very serious studies being made of the problem in city after city throughout the United States, largely through city planning commissions, very frequently through housing authorities, and excellently in many places through housing authorities and city planning commissions collaborating. Cleveland is an example of such studies; Chicago is another, and Cincinnati has given long study to the problem.

Senator RADCLIFFE. What do you consider the most serious obstacle to the carrying out of such a program?

Mr. POMEROY. I suspect the inertia of the people in the cities in deciding what ought to be done and in undertaking to do it. That is a psychological and, in a noninvidious sense, a political question. The solution to the problem involves a very profound understanding of the dynamics of urban development and growth.

I have observed city planning for a good many years, since planning is my professional background. I have seen a great many city plans that have gathered dust on the shelves throughout the years. City planning started years ago with the city-beautiful idea. Chicago had a magnificent plan for parks, boulevards, and its lakefront, and has done much toward carrying out the plan. Yet in an address a year or two ago to the Chicago Chapter of the American Institute of Architects, I could correctly begin by saying, "How lovely is the park framework within which this great city is decaying." The old city plans failed to recognize all the elements of land use, population distribution, and physical facilities that make up the city. It is only where all these components of planning are understood and the desirable things to be done are translated into the operations of public administration that a good job can be done.

Senator RADCLIFFE. It would probably call upon local authorities for closer examination and supervision of private property which has probably never yet been exercised.

Mr. POMEROY. Of course, that is done in part in zoning. Zoning, to begin with, was regarded as an invasion of basic constitutional property rights, but it has now been upheld by all the State supreme courts and by the United States Supreme Court. A person living in a house on a hundred acres in a rural area can do about anything he pleases with his property. Of course, you do not want him to start a forest fire, or pollute a stream, or shoot his wife, but you don't care much about the kind of a house he builds or what size yards he has. But put that house down on a 50-foot lot in a city and the situation is vastly different. Urban land is owned subject to the responsibility of being a decent neighbor in the community. Zoning is the police-power application of a part of that responsibility.

Zoning is essential, but I was suggesting for urban redevelopment a more profound type of control than could be accomplished under the police power, which is arbitrary in one sense of the word—and that would be actually making the ownership of land in a urban situation subject to the obligation of the person who owns that land to provide proper maintenance for any building that he puts on the land. That would require the proper amortization of the investment in the building, a proper reserve for R. M. and R.—that is, repairs, maintenance, and replacements—and when the building is no longer economically and socially sound, the removal of the building. The alternative is to leave the city ultimately infested with buildings that have long ceased to be beneficial to the city.

Senator RADCLIFFE. I assume zoning is concerned primarily with the future. What can be done as to existing conditions?

Mr. POMEROY. I think that entailment of obligation for maintenance of buildings on the land would have to come as a part of the urban redevelopment process, so that as the land is made available for use it is made subject to the obligation necessary to keep the neighborhood in good condition. It should also be done in the development of new neighborhoods.

Senator TAFT. Were you considering the possibility of confining this urban redevelopment program solely to the properties that were old and poor houses? I mean it is the housing interest that I think brings the Federal Government in primarily. I think a limited redevelopment in the hands of public housing authorities is a more

defensible program than one of having the Federal Government interest itself in rebuilding the whole city.

Mr. POMEROY. At least it is something that can begin with existing agencies and proved procedures, rather than chasing rainbows into the future.

Senator TAFT. We have admitted the principle, in effect, of subsidizing the acquisition of housing to eliminate slums. Part of our subsidy is for that purpose.

Mr. POMEROY. That is right.

Senator TAFT. It requires no great extension to say in doing that you can acquire a little larger area where the things are mixed together, at least, and sell part of the land for some other purpose than residential.

Are there any other questions?

If not, we have only one witness for this afternoon, and that is Mr. Marquette.

(The matter submitted by Mr. Pomeroy was filed with the committee.)

Senator TAFT. The committee will recess to 2:30, and we hope to be through by 3:30.

(Whereupon, at 12:45 p. m., a recess was taken until 2:30 p. m. of the same day.)

#### AFTERNOON SESSION

(The committee reconvened at 2 p. m., pursuant to recess.)

Senator TAFT. The committee will be in order.

You may proceed, Mr. Marquette.

#### STATEMENT OF BLEEKER MARQUETTE, REPRESENTING NATIONAL COMMITTEE OF HOUSING ASSOCIATIONS

Mr. MARQUETTE. I think perhaps, before beginning, I should make clear just what the group is that I represent. It is the National Committee of Housing Associations, and it is made up of 10 different associations directed by boards of citizens, and principally financed out of community chest funds or private contributions.

Those associations are Committee on Housing, Community Service, Society of New York; Pittsburgh Housing Association; Philadelphia Housing Association; Citizens' Planning and Housing Council of Rochester; Citizens' Planning and Housing Association of Baltimore; Citizens' Housing and Planning Council of Detroit; Washington Housing Association; Better Housing League of Cincinnati; Metropolitan Housing Council of Chicago; Citizens' Housing Council of New York.

These views represent the views of the executives of those associations. I want to make it clear that it hasn't been possible to get this memorandum back after review by all the members of the boards, but presumably in general these views do represent their thinking, as near as the executives can understand.

Senator ELLENDER. I didn't understand what you said about funds coming from community chests?

Mr. MARQUETTE. Most of these citizens' organizations are agencies financed out of community chest funds.

Senator ELLENDER. How are those obtained; from the citizens?

Mr. MARQUETTE. Yes.

Senator ELLENDER. I thought those funds were collected for the poor?

Mr. MARQUETTE. Are you asking about how community chests get their funds, and why?

Senator ELLENDER. I was wondering how they get those funds and for what purpose?

Mr. MARQUETTE. They get an allocation. Take my own Better Housing League in Cincinnati, we go in with a budget, like the Family Welfare Association, or the Children's Aid Association, or what not, and we present our case, and we are allocated a certain budget. All of these agencies are interested in the over-all problem, I mean it isn't just the public housing sector or any other one particular sector of the problem.

Senator ELLENDER. I see.

Mr. MARQUETTE. I should also like to make mention of the fact that you have had, from the Citizens' Housing Council of New York, a memorandum which I think came to the committee several months ago, 3 or 4 months ago, and I have read that memorandum and consider it to be very well thought through, and hope that you will have some time to consider it also.

Now, I have in writing what I have to say. I may interpolate here and there, and of course I am prepared to have you stop me whenever you may wish. When I finish, there were two or three questions that we did not cover in this paper but which were raised this morning, on which I thought you might care to have just a word. One or the other of you asked about them this morning.

I happen to have been in housing work for 28 years, having started my professional career in New York in housing, and having gone from there to Cincinnati, in housing, where shortly afterward I assumed the directorship of the federation of all the health agencies of Cincinnati, so it is now a combined activity. One sees, I might say, in health work, the very direct relation of housing to the health of a community. I shall not go into that in detail, but if there are any questions on the relationship of health to housing that you have to ask, I might be able to answer them.

Hitler's propaganda minister has gone to great pains to show to his people pictures of our slums to convince them that living conditions of low-income families in Germany are better than in our country. Unfortunately—and I speak from first-hand experience—we cannot deny that German cities had fewer slums, that their cities were better planned, and that prior to the Hitler regime—which stopped the program for housing betterment in all-out preparation for war—and I was there when this stopping process was under way, after he came in—Germany had done more to provide good housing for low-income families than we had.

It is one of our responsibilities to see that this will not be true in the years ahead. The conditions under which too many of our families—urban and rural—have to live, do not accord with our ideal of equality of opportunity for all, and I think you have indicated that in these hearings, and to that extent we are in agreement. In a land of our resources and ingenuity for production, those conditions can and must be rectified. Something like one-fifth of the men who have been sent forth from our cities to fight this war for us on the far-flung battlefields

of the world came from slum homes. Nobody in America should want to send them back into slums without the assurance that this Nation has a program that will clean out the slums within a reasonable period after the war ends.

It is definitely to the credit of the Congress that aids are being provided to make it easier for returning servicemen to buy homes. The fact should not be lost sight of, however, that many cannot afford to buy homes and that others for various reasons will prefer not to buy. They should not for that reason be forced to live in dwellings so far below decent American standards as are all too many urban tenements and rural shacks.

At this point it should be emphasized, too, that the returning servicemen proposing to take advantage of home-purchase credits should be safeguarded so that they will not lose what they invest. They will need to be advised of the fundamental principles underlying sound home purchase.

When they borrow with F. H. A. guaranties, they have some protection, but on loans not so insured there are not sufficient safeguards to protect them. There is danger that without some protective measures these easy credits may encourage inflation in home prices, thereby wiping out part of the benefits intended for servicemen. The agreement recently effected by the Veterans' Administration and the National Housing Agency is a step in the right direction.

In presenting our suggestions for a national post-war housing program, we should like to list these principles. They are not new, and many of them have been heretofore presented in these very hearings.

1. The ultimate goal should be an adequate supply of homes of good standard for all American families—and nothing less.

2. The field of private enterprise is to house all groups of the population for whom it can provide, within their means, homes of decent standard, old or new. Private enterprise should be given every proper aid to this end. Speaking for myself, I may say that I hope that the time may come, in the not too far distant future, when private enterprise may be able to do it all, and I never would have supported a program for public housing had not my own experience over the years proved that there just seemed no other way to do it, and I don't know of any other way now to get down to the really low-income groups.

3. A post-war program should encompass the systematic elimination of slums within the next 20 years. That has seemed to us a possible objective. Under present economic conditions and those likely to exist in the foreseeable future, a well-conceived program of public housing, aided by annual Federal contributions, offers the only workable program so far presented to meet the housing needs of families whose incomes are too low to pay the cost at which sanitary, safe, and healthful homes are available in the open market.

4. The present "no man's land" in housing must be eliminated. The "no man's land" consists of that section of the population ineligible for public housing on an income basis and yet unable to pay the prevailing cost of dwellings provided by private enterprise. Private operators should be given special inducements (short of subsidy) to reach down into this "no man's land." We recognize that if residential construction costs are 30 percent higher after the war, as some

economists predict, this will not be a simple task. If private enterprise is unable to proceed under the stimulus of such aids, something else will have to be done, because this area of housing need cannot be neglected indefinitely.

Senator TAFT. If prices stay up, wages ought to stay up, too. I think they must be balanced somehow. We may have a general inflation of both.

Mr. MARQUETTE. It is my hope, too, that they will be balanced, and also that the general economic level of the population will stay up higher than it was pre-war, and that therefore it ought to be possible to move forward on an intelligent, well-balanced program, with less, and not more, relatively, I mean relative to what we had in mind. I may say in passing that the question I know is so much in your mind, and should be in the minds of all of us, is, how much. It is very difficult to say just how much. I will say something very generally with regard to Cincinnati at a later point, because we hope private enterprise is going to be able to come down to that level of building and we hope that incomes are going to go up, so that the two will meet more nearly. We don't know just how much public housing should be done but we want the minimum consistent with moving ahead on a program that will meet the needs.

5. The National Housing Agency should be given permanent status, with such changes as objective study may demonstrate to be desirable. We are not advocating that it must be exactly as it is, we don't know that, surely, but we do feel that some kind of centralized agency, with whatever changes should be indicated from your studies, should be continued.

6. With public housing advocates clearly defining the limits of their field of operation—and I may say, Senator Taft, that I agree with you and the others of you, I was thinking of Senator Taft because he happened to mention the matter of being careful about that upper income limit, I am equally interested in it and I think we must find where that limit is. It does vary from community to community and we must keep definitely below it, only providing for the families that we are certain cannot get decent housing, and leaving a reasonable margin so that we don't get too close to the possible area of private enterprise operation. As I say, with public housing advocates clearly defining the limits of their field of operation, there is no reason for conflict between public and private enterprise. Sometimes it seems in the conflict of these arguments that there is, but I really don't believe there should be and I will have something to say further about that. Both contributions will be needed to meet the challenging problem of providing good homes for our people in the post-war years.

7. The initiative in developing and carrying out housing programs should rest with local communities. The Federal Government should provide stimulation, guidance, and assistance in suitable ways. I think that is being accepted and I think it is absolutely sound, that the Federal Government should provide stimulation, guidance, and assistance, and exercise such supervision as is indicated to safeguard its investment.

With regard to aids to private enterprise, we recommend the aid of the National Housing Agency to local communities in making housing market analyses, so that the local communities will know what their

need is and what the need is in various areas. I am afraid that if there isn't that stimulus from some Federal agency, which ought not to do it but ought to help them by setting up the standards as to how it can be done, because it is not an easy matter to do an intelligent housing market survey, and we are about to attempt one in Cincinnati through our Planning Commission, but if there isn't that stimulus from some Federal agency I am afraid that that work will suffer. That should be undertaken so that there will not be too much commercial construction for sale particularly in the high-price brackets, too little for rent, especially in the middle economic brackets, and a dearth of home building for Negroes.

#### PLANNING, ZONING, AND BUILDING CODES

I believe it was Senator Radcliffe who was interested as to preventive measures, and at this point I am talking about some of the measures that do fall in that classification. I think I may say that there are one or two communities in which a fairly good job, not complete, not altogether satisfactory, is being done.

I would say, for example, that in the city of Cincinnati there isn't much likelihood of more very bad slums being constructed, because we do have pretty good zoning. We are advocating its revision and a higher standard of open spaces, and a lesser density of land use, fewer families on the ground, because it is not quite satisfactory in that respect. We have pretty good subdivision regulations, we have a pretty good building code, containing housing sections that have to do with those things within residential buildings that particularly affect the health and living of people—size of room, size of window area, light and ventilation and whatnot. In the outlying areas the situation isn't quite so good, because under the State law at present we cannot have zoning there.

Those are some of the preventive measures that are important, and if they are proper, they will go a long way to prevent future slums. In our community that was one of our first points of departure. We felt it wasn't proper to use either Federal or local or anybody else's funds in clearing slums and trying to reproduce good conditions, if we were at the same time creating more new slums, and I think it is now being handled reasonably well, although we propose to do better.

Now that, I think, ought to be stimulated by the National Housing Agency. It can't do the job but it can offer certain helps. As a matter of fact there doesn't exist right now what I think would be a very important contribution, and that is an example, if I might say so, of a proper municipal building code with housing regulations. It is a very difficult, technical job to draw up such regulations. No one could draw up a set that would be applicable, word for word, to every city, but it would be a tremendous help and aid us toward a modern revision of a lot of these antiquated codes.

Some of them are weak in that they don't have proper standards, and at the same time are unfortunate in that they have handicapping provisions that make it difficult to use new methods of construction and new materials that have been proven. Of course those unnecessarily harsh restrictions ought to be eliminated.

SENATOR TAFT. We might try drawing a model code for the District of Columbia.

Mr. MARQUETTE. If you did that here we would all be glad to have the aid of it. There has been a good deal of work done here on a Housing Code, which is separate from the Building Code, but I think it has never been enacted, although it had some very good provisions in it. Maybe you know all about it.

Senator TAFT. Well, we hear about it in the papers, and Senator Buck is on that committee.

Senator ELLENDER. There is as much politics in the District, even though they don't vote, as there is in Cincinnati or Cleveland.

Mr. MARQUETTE. I suppose so, although I am not able to speak as to that.

#### REORGANIZATION OF THE BUILDING INDUSTRY

We feel that a great deal of our ability to do this big job of housing in the post-war period is organization. It will all be done by the private building industry, whether public housing, private, or anything else. They all use the same kind of machinery, and its organization to do a good job is important, and very important. Much of the residential building of the past in most communities, in the typical city of America, has been done by the small builder who put up six or eight houses at a time. So we believe that larger operations, better financed and equipped to use cost-saving methods of construction and marketing are as necessary—and we are thinking here of stimulating and helping private enterprise to do the job, or as much of it as it can—as anything else.

There are certain things in the field of research that the National Agency can help in. There is a lot more we ought to know about types of construction, and construction materials. We have got this vast experience, now, in public housing, on a large scale, and a number of very good private housing developments on a large scale. They are not perfect, there have been a lot of things discovered at the local level that could be done better by planning and design and operation by regions, and I think we should have a careful review of the whole business, and it should be of record and available to private enterprise as well as public-housing authorities, so that we can profit by our mistakes and successes.

Speaking of financing, the experience of F. H. A. should be thoroughly revised to determine how its benefits can be wisely extended. While it has, of course, not operated perfectly, informed and objective people will agree that F. H. A. has made a valuable contribution and that home financing is far better today both for the producer and consumer than in the old days of the second- and third-mortgage financing system. F. H. A.'s efforts to cooperate with private builders toward achieving better judgment in location, construction, and design having met with measurable success, much more in some communities than in others, but I know from a knowledge of some of the developments that have been built with their help, that they have helped to step up standards.

No small amount of home building in the United States is still done without F. H. A. financing and mostly without guidance or suitable standards. This makes it possible for those few builders who want to build in undesirable locations and of shoddy materials—and there are always a few—to get their loans elsewhere, thereby

avoiding supervision and competing unfairly with reputable contractors. Study should be given to ways and means by which this defect can be remedied.

F. H. A. insures the lender. It would seem desirable to give consideration to some method whereby the home purchaser may be safeguarded against the loss of his equity during periods of sickness or unemployment, and we are all agreed we want as much home ownership as is sound. Now that is difficult and I have no solution in my pocket. A method might be considered whereby the purchaser would pay into F. H. A. a stipulated monthly reserve which would be available to draw upon to meet interest and amortization payments during emergencies. The purchase of a home is usually by far the largest single investment of savings that a family of moderate income ever makes, and commonly it makes but one such investment during a lifetime. Obviously these families are not experts in selecting protected neighborhoods nor in determining whether the home they propose to buy is intelligently planned and well constructed. N. H. A. should provide advice for prospective home owners. It might be feasible to set up in local offices home information services which could be consulted by people wanting to buy homes, advising them as to the purchase price range within which they ought to attempt to buy, and the kind of house, not specifically, "Buy this house" or "Don't buy that house," but certain principles that are sound with regard to the selection of a home for a particular family might in that way be brought to their attention.

N. H. A. might perform a useful service by drafting and encouraging model legislation for a simplified land-title system and sounder and well-conceived foreclosure procedures.

Such measures would stimulate home ownership and make it safer for the great number of families who, after the war, will have vast accumulated savings available for the purpose.

Taxation: I approach this with fear and trembling, Senator Taft, because I know how much thought and study you have given to that subject and how infinitely more you know about it than I ever will, but perhaps these general considerations are not amiss and they are not intended to be those of people who pretend to have any great knowledge of the problems of taxation.

Property taxes have a far-reaching effect on home ownership. It is generally recognized that the whole tax structure at the Federal, the State, and the local levels, needs revision. There is no easy solution nor any that is likely to be brought about quickly. Any sound solution goes far beyond the matter of local taxes on homes. Nevertheless, the National Housing Agency might, through a research bureau, work with other groups in Congress, in the Federal administration, in the States and in the local governments, to stimulate study and planning to the end that a more logical system of taxation might be developed. To some extent we feel that private enterprise is handicapped where the system of taxation works unfairly.

Housing for Negroes—a very important part of this whole housing problem, incidentally. During the war, private enterprise has built housing for Negroes in critical communities. Little was done in the pre-war period and it seems likely that after the war practically all of the new home building again may be for white families. We urgently recommend that careful thought be given to measures which might

stimulate private home building for this sector of our population, which in every economic group suffers more than any other of our people from a shortage of decent dwellings.

No man's land: I have referred to that in my statement of principles, so I will pass it by except to say that that is the area in which I think special effort should be made to find out—and I haven't any easy solutions to offer either, I don't know whether it is a lowering of the interest rate, I don't know just what it would be, I would hope that private-enterprise operators would tell us so that we could help to work them out—what would be most beneficial to get them into this area between where they are building now and what public housing is doing and ought to do.

Senator TAFT. Roughly, the group between \$1,200 and \$2,000?

Mr. MARQUETTE. That is right, and I think that certainly there is an area in which these limited-dividend housing organizations, and the larger life-insurance companies, and probably a lot of other groups, could operate, but I think they have got to have a whole lot more help than they are getting now. I think it is a tough assignment. We mean what we say when we say that we want private enterprise aided, and we are for any logical, practical, intelligent program that will help them to do that part of the job. We don't want public housing to do it.

Areas of decay: Now there has been a great deal of discussion on that and I am going to summarize, in order to save time, our general thinking on that subject.

The problem of replanning these decayed areas of cities is intimately related to the whole problem of rehousing of our people. For the most part, of course, I am interested in the areas that are slum areas. They may have other uses mixed in with them, but predominantly they are slum areas, and I don't think they all ought to be redeveloped for low-rent housing by public-housing authorities, by any manner of means.

We now have under way in Cincinnati a master planning project which will study all of those areas and indicate what their future use ought to be. Maybe it is park and playground areas, maybe it is moderate housing—which should be private enterprise; maybe it is higher rent housing—which should be private enterprise; maybe it is industrial or commercial use; or maybe it is low-cost housing that can only be done by public housing, and then, in my judgment, it ought to be done without hesitation.

Where a sector of the population is displaced as a result of such a projected improvement for profit, and then done properly by private enterprise, public housing should enter into the picture in order to make sure, if there isn't already existing sufficient housing of a reasonable standard—and I am not talking idealistically—but of a reasonable standard, to which those people can go, at approximately the rentals they have been paying, or at least within their means, then I think it will be necessary to have a coordinated program where public housing will help out.

Otherwise, you will stop any extensive rebuilding of those decayed areas. You just can't take families out and let them go anywhere and not pay any attention to what happens to them, without blocking any such programs on any such scale very, very quickly, in my judgment.

I think there are certain helps that private enterprise needs to operate in this field. If public housing is to acquire the property, and it is to be given the right, as it has been given in some States, to sell or lease either to private enterprise or to use for public housing, then you would have to make it possible in some way for them to make the land available to private enterprise at its use value, because a private enterpriser can't pay \$3 a square foot for land for a moderate rental housing development, which is worth for that use only 75 cents a square foot, and make any profit.

So in some way, somehow, he has got to be helped. And my proposal—recognizing as you have recognized that it is an exceedingly intricate and complicated problem, and an extensive one—would be that the Federal Government might enter into the problem in a limited way in the financing, because I confess that we do not have enough experience to draw upon to know what the ultimate cost is going to be, or the extent to which areas in certain reconstructed areas in certain sections of a city might even result in an increase in the land value. That is conceivable and it might balance out so that the losses wouldn't be very great.

But I don't think anybody has the answer and my proposal is a limited exploration with Federal assistance into that field, maybe in a big city and a small city, and let's find out what does happen, because I, at least, confess I don't know.

I do know that it is an exceedingly challenging problem and I hope we may be able to help private enterprise to do something with regard to it.

Now, with regard to the use of existing housing, of course, most of the existing supply of housing meets standards of health and safety and will, of course, continue in use. Dwellings which, by reason of bad structural condition, insanitation or lack of light and ventilation, or of hopelessly bad neighborhood are unfit, should be eliminated, but it is amply demonstrated that this will not be done except by planned clearance of bad housing areas.

Residence neighborhoods that are showing signs of decline but are not too far gone should be rehabilitated and protected—and that is private enterprise. I could go into more detail as to how that could be done. It is, in part, a planning process. Maybe the planning commission has got to go in and widen some streets, introduce certain park and recreation areas, clear away some buildings that are tending to cause the decline of the area, and what not, and then private enterprise should go ahead and do the rehabilitation, in most instances.

For a good many years the majority of low-income families will continue to live in existing housing. This is proper so long as the housing is of good standard and in acceptable neighborhoods. But the idea that the problem of decently housing low-income families can be solved by building new homes only for higher-income families and letting the others gradually filter up into a better standard of homes, is untenable and has been so proved by 50 years of experience. It just doesn't happen. To some extent it does, but it doesn't happen rapidly enough to ever solve the problem.

Nor is it true that these needs can be met by projects for remodeling existing housing. It is true that some sections of some cities might be so rehabilitated and housing authorities should, of course, when private enterprise is not interested in doing it in a particular area—and

I think they should have priority—thoroughly explore such possibilities when low-rental housing is a proper and an economically sound undertaking for that area. Such possibilities are, however, very limited. Shack towns and overcrowded tenement blocks can never be made into good homes, nor is the remodeling of scattered buildings in a decayed neighborhood sound or practical. You have got to do it on a neighborhood basis, in my judgment, so that your surrounding properties do not pull down the value of the one that you try to rehabilitate—in order to make it sound.

Public housing: The public-housing program has functioned well, though not perfectly. Thoughtful advocates of the plan of Federal subsidies for local public housing are among the first to say that the program can and should be improved. These facts, however, remain:

Neither in this country nor anywhere else in the world has any workable alternative been offered, so far as we know. That doesn't say that there isn't any, and that if there is one that it ought not be thoroughly explored, because our aim is only the providing of decent housing for these people and if it can be done soundly and properly by some other method which nobody has ever proposed, let's have it and let's consider it objectively and intelligently and without bias. But so far we don't have it. Public housing in our country has made one of the greatest contributions to intelligent site planning, design, and construction. So have certain private developments. It has compelled recognition of the fact that the solution of the problem of adequate home life for the low-income groups is more than four walls and modern sanitary conveniences. It has shown that what we need is intelligently planned neighborhoods with adequate recreational facilities for children and adults, both indoors and outdoors, as well as good homes. It has demonstrated that it is possible to house low-income families decently, and that these families will, in the vast majority of cases, take care of the properties.

The first slum clearance project in Cincinnati was Laurel Homes. Originally it contained 1,049 dwelling units; it has since been added to slightly.

When we made a careful check to find out what kind of families we had, that is, how they were taking care of the buildings, were they paying the rent, were they disturbing their neighbors—in other words, were they undesirables, and you know what I mean by that—we found about 40 tenants in that category. Now we have more projects than that—

Senator ELLENDER (interposing). You mean 40 tenants out of 1,400?

Mr. MARQUETTE. Out of 1,049. That was a careful check through an inspection of all the equipment and everything else. We don't go in and supervise the housekeeping and the way the family lives, but we go in to check our equipment, but the inspectors are notified to report to the management office if they see signs of dirtiness or vermin, or neglect of the equipment, or anything like that, and then somebody goes to that place.

Senator ELLENDER. How do they handle those cases?

Mr. MARQUETTE. Here is the way we handle it and it works pretty well. I am consultant for the Housing Authority, without pay, and have been ever since it was organized, but we have this Better Housing League, this private organization that I am representing as one of these

10 today. We have a system of what we call home making advisers who, before there ever was any public housing, devoted their entire time to instructing tenants in the congested areas, and working with owners on their problems of management and what not. Their service is available to any private owner, by the way, just as we are now doing it for the public housing projects.

But when a report concerning a tenant has come in, then they do go back to see what the tenant is doing, whether there is any improvement, and so forth. If they find out that nothing is happening, and that it is just as bad as before, then it is reported to us. We send in one of these home-making advisers and she reads the riot act to them, and says, "Now look here, you have got to change, you can't go on living like this, it just won't be permitted, we are ready to help you."

And then she goes to work on what is the matter with her house-keeping and tells her what to do and how to do it, and goes back and shows them actually how to wash the windows, if necessary, and how to take care of disposing of the food so that it isn't left around vermin and rats to get at. But if, finally, that family makes no effort to improve itself, they go out—but that is rare.

Senator BUCK. What becomes of them then?

Mr. MARQUETTE. They go back where they were before. Now, one might raise the question about that, that that isn't doing a constructive job on that particular family. But we admit that housing can't remake the nature of people, and we know that there is such a certain small minimum group. So far as I know, there haven't been more than a half a dozen families that have actually been evicted for that cause, but when it comes to the last resort we can't do anything more than put them out in order to let come in some other low-income family that will take advantage of the decent housing conditions.

Senator BUCK. Half a dozen families, that is, out of over a thousand?

Mr. MARQUETTE. Yes.

Now, there is a better answer that I have given for that group of families, and when the time is appropriate we will come up with it. I know in our own community, because I have had it in mind for a long while—it has been worked out better in Holland than any place else in the world, in my judgment, where you build specifically for this very small group of so-called undesirable families. I would like to take time, but I am afraid I am using more time than I should, to tell you about that. I think that is the next step, so you don't simply say "go on back to slums," but you say "You may go now"—you wouldn't make them do it, but you say "You may go to this development."

Senator BUCK. That is going down another step.

Mr. MARQUETTE. Yes.

Senator TAFT. You might fix it so you could run a hose through it every day?

Mr. MARQUETTE. Exactly, just as close to that as possible, and under close social service management, where they do go in and interfere with people's lives, which we don't like to do. And that will get results in most cases. I have seen that work, too. It is a tough application to have to make, but I don't know of any other for that certain group, where very likely it is a pretty poor mentality that is the cause of the difficulty.

We feel that families, from their own testimony, do not feel that any stigma attaches to living in these public housing units, but that on the other hand, public housing tenants graduate, when their incomes increase, to home ownership or to become better tenants than they were before, for private enterprise housing.

Senator Taft, you probably know that our top income for eligibility was, pre-war, \$1,500, and we hope to get back to that as soon as possible after the war. I must say that the thing that has disturbed me more than anything that has happened to public housing has been the fact that during this war period we have had to take off the limits, because I think it puts us more on the spot, makes it more difficult to defend. It has been a tough thing to have to do, but for the war effort we just had to do it, and have to take the kick-backs and then prove our honesty and integrity by going back to the original income limits as soon as we possibly can.

Senator TAFT. You have to remember that, after all, this public housing program has been, in effect, disapproved by the House of Representatives for the last 6 years, ever since I have been here. Now, whether they are going to change their mind, unless we change the program some and sell it to them, is a question. The Senate has always been much more favorable than the House, and we may have to make some changes in it in order to get the approval of the House.

Mr. MARQUETTE. Well, I think their views have to be considered, and in certain respects they may be sound. I think we ought to find out what is in their thinking, and go along with it if it is a sound approach.

At any rate, whether Congress was urging it or not, I will say that for the benefit of the program, myself, it isn't accomplishing its purpose unless it does that, and I am interested in housing low-income families and taking them out of slums. I am not interested in housing people that private enterprise can possibly take care of.

We think it has been demonstrated that the principle of the adjustable annual subsidy is sound so that in periods of prosperity like the present, the subsidy of the Federal Government is reduced substantially below the maximum. Actually, the Federal subsidies now being paid are, we understand, 47 percent below the amount contracted for. On the other hand, it is equally certain that subsidies needed during times of depression will be greater. We will go back up to the maximum, probably, if we hit another depression.

It has been shown that public projects, while not able to achieve low rents if full taxes are paid, can pay in lieu of taxes up to 10 percent of the gross rentals. Thus I am pointing to particularly, because we have made some studies in Cincinnati, that you may not know about, that do throw some interesting light on one angle of this tax business. In certain communities—I mean in Cincinnati—it has been established by careful research that such payments in lieu of taxes are approximately equivalent to what tenants of substandard housing pay in taxes through their rents to landlords. In other words, we took four or five areas in the section of our downtown basin area, and we studied what was paid in taxes out of those areas in relation to the rental, and we found out that it amounted to just about a dollar and a half per family per month, which is just about what 10 percent of the total rents paid in taxes would amount to.

Senator TAFT. On the other hand, the taxes paid by the ordinary family living in their own home is around 20 percent.

Mr. MARQUETTE. That is probably true.

Senator TAFT. I mean, roughly speaking, the tax rate, by and large, in the country averages probably 2 percent of the actual value.

Mr. MARQUETTE. That is right.

Senator TAFT. And the rentals are, say, 10 percent, so that that is about 20 percent instead of 10.

Mr. MARQUETTE. It would be just as true if we paid full taxes; it would be over 20 percent, I am sure, in the public housing projects, and all we feel we can do is to pay as much as these people paid in taxes before, and that is about all. There you get into your local subsidy by the partial tax exemption.

Interestingly, too, on the site of this project that I have mentioned before, Laurel Homes, the amount of taxes assessed was approximately \$27,000, and paying 10 percent of the total rents in lieu of taxes would give the local communities a little bit less, but almost as much as they got before.

Now, I am not trying to make out that they aren't losing tax money, because if you look at it, the valuation of the new buildings as constructed, and their taxable value, if they were in private enterprise hands, would, of course, be much more. But I feel we can't just do that; but on the other hand, that the local community does need to get some compensation for the services rendered, and as much as is consistent.

Senator TAFT. When you pay this 10 percent in Ohio, where does it go?

Mr. MARQUETTE. We don't pay it. We did. We held it in escrow or whatever you might call it, but then we got all tangled up in our State supreme court decision, so that Ohio now isn't getting anything. The projects were taken over by the Federal Government, and they are not getting their payments in lieu of taxes until our tax muddle is straightened out.

Senator TAFT. How could the auditor take money in lieu of taxes, anyway? Did he take it before?

Mr. MARQUETTE. He did in the original instance, in the very beginning. I don't know how legal it was. You mean, in other words, if somebody said to him, "By what authority?"—finally he raised the issue himself, and said that he wouldn't accept it.

Senator TAFT. How could he take money from somebody as a gift, so to speak, and put it on the regular taxes and divide it up among the subdivisions?

Mr. MARQUETTE. I think that is done in most States. Maybe you know whether there is a difference in our State law.

Senator TAFT. Maybe there is an authorization; I don't know. The State law could authorize it, of course.

Mr. MARQUETTE. That is what we propose in the remedial legislation we are going to ask the State legislature to consider.

Senator TAFT. Has the supreme court made it finally impossible to exempt this property for metropolitan housing authorities?

Mr. MARQUETTE. Yes.

Senator TAFT. There is no further recourse?

Mr. MARQUETTE. No.

Senator TAFT. Their interpretation of the Ohio Constitution is final, is that it?

Mr. MARQUETTE. There is a difference. Here is this Laurel homes, one that was built as a Federal project with Federal money. We didn't build it locally, the Federal Government built it—

Senator TAFT. P. W. A. built it?

Mr. MARQUETTE. Yes. That is the type of project that the United States Supreme Court decided upon, and when we got our State supreme court decision that says they are all taxable, all the locally built ones, and then they said the federally built one, too—but the locally built ones are fully taxable—then the Federal Government, in order not to continue with these low-income projects if they had to pay full taxation, took over title. So that the United States Supreme Court decision does settle the issue with regard to all of our present local projects, they are not taxable because they are now all federally owned.

But when it comes to building anything more, under the present law of Congress we can't move, because we couldn't meet the requirement that the local community put up 20 percent. The state court decision, the supreme court decision there is final, and we believe cannot be appealed.

Senator TAFT. Under the status of the Ohio Constitution, the proper thing to do in Ohio is for the State to set up a system of cash subsidy from the State or city, isn't it? That is the only way to meet that.

Mr. MARQUETTE. That is an alternative. I think it is an awfully tough one. I don't know anybody else that ever suggested that.

Senator TAFT. You mean it is a tough legislative proposition in Ohio?

Mr. MARQUETTE. It is going to be tough to get a local community to put up the money in cash. I think it hurts a whole lot less by means of tax exemption. I think it will be a real battle to get that done.

Senator TAFT. Still, it is the same thing, in substance.

Mr. MARQUETTE. Yes.

Senator TAFT. And it is a franker facing of the proposition.

Mr. MARQUETTE. Yes. And, of course, as a matter of fact, the more this subsidy—whatever subsidy it is, Federal, State, or anything else—is right out in the open to be looked at, the better it is. There is no need of evading it, and if the public doesn't want it and isn't willing to go along with it, then we ought not to have any public housing. But we shouldn't do it, I quite agree, by subterfuge or indirection.

We hope that the Congress will make available loans and subsidy as soon as possible, in order that the public housing program may continue in the post-war period, and that projects for the clearance of slums and for the construction of homes for low-income families may get under way speedily when the war ends.

The present limitation in the law on the unit cost of dwelling units in public housing should be eliminated, and a limitation placed only on the room cost, having in mind probable post-war construction costs, because it tends to encourage the construction of too many smaller unit structures.

Senator TAFT. I would think the room-cost basis would be a much sounder basis in all this consideration.

Mr. MARQUETTE. I think so, too.

Now, we do make this point, and it is very much in my heart, that I hope the room cost—while it ought to be a reasonable limit, and eliminating anything in the nature of frills—I do hope that the room cost limit won't be so low that it is going to result in miserable looking housing developments. I don't think that we have to choose between an extravagant thing and a wretched looking thing.

In Cincinnati, I think Senator Taft will agree, we have two projects—Wyndham Terrace and English Woods—built on outlying land, which I would stake my reputation on that 50 years from now they will still be excellent standards of housing, examples of housing, and an asset to the community. And they weren't extravagantly built, they were well built and well designed; and I would like to hope that we could have our public housing in such form that it won't be miserable looking stuff, because it looks so darned cheap. Not that I am advocating anything in the nature of frills or extravagance.

Senator ELLENDER. To what extent would it increase the cost of a unit by putting it on a room basis rather than on a unit basis?

Mr. MARQUETTE. Well, there is a great tendency, when you have this unit limitation, to build all of them to keep within that \$4,500 unit limitation, or whatever it is, and really what you are trying to do, as I understand it, is to be sure that the costs are minimum, consistent with sound and decent and proper construction; and that, I think, ought to be on the basis of the cost per room, and not try to keep down the number of rooms.

Senator TAFT. It is to avoid a happening like \$15,000 a unit out at Green Hills, I think that is what brought in those limitations. They don't want extravagant building propositions.

Mr. MARQUETTE. Well, if you had \$1,000 a room, room-cost limitation, it would have done the same thing, wouldn't it?

Senator TAFT. I think it is much better.

By the way, speaking of Green Hills, I have a telegram from a man living in Greendale, Milwaukee, a project similar to—

Mr. MARQUETTE. One of the other Greenbelt towns.

Senator TAFT. Yes. Saying that he wants to buy his home, and so far as he can find out, every citizen in Greendale wants to buy his home.

Do you see any particular reason why homes in that income class should not be sold to the renters?

Mr. MARQUETTE. No; there are some difficulties, of course, about the way they are constructed, because they are in groups.

Senator TAFT. Some of them are, but not all.

Mr. MARQUETTE. That is right.

I think in our project, practically all of them are, but not in Milwaukee; but if that could be worked out—and it could be, I am sure—

Senator TAFT. It is not really a low-cost housing project.

Mr. MARQUETTE. Not at all.

Senator TAFT. The Government there has gotten into something outside the principles of the present low-cost housing program.

Mr. MARQUETTE. Yes. I would like to disown that, so far as the public housing program is concerned, because I think it has caused us

more difficulty and more misunderstanding than anything else I know of. When it comes to the matter of planned communities, they did a good job and they are all well planned communities, and show the value of neighborhood considerations in planning, and so forth. But not as low-cost construction or low-rental housing, and we are perpetually in hot water trying to explain that it is not.

The Federal Public Housing Authority should continue its present policy of allowing as much local autonomy as possible, exercising only as much supervision as is necessary to safeguard the Federal investment. It should continue to offer technical advice and assistance to local authorities.

There is no advantage in oversized projects. In other words, we believe that the building of these enormous projects ought to be discouraged. We think that it throws too much housing on the market in one place all at once, and it ought to be possible to build projects of less size.

Senator TAFT. What is your limit?

Mr. MARQUETTE. I don't have any particular limit, but I have in mind that, in the average community, a project of 350 units ought to be allowable; and I would like to feel that our community, for instance, could have a program that would carry over 4 or 5 years, and we could maybe build 350 units on one site, and then not build any more for 2 years, and carry it out later. I think that is more intelligent. You slap a thousand units on the market all at once, and I don't think that makes sense, in one given particular locality; and besides, I am against too big projects anyway.

Senator ELLENDER. Would a reduction in the number of units in anywise affect the cost of each unit?

Mr. MARQUETTE. No; because if you get up to 350 units and above, you are in an economic area of development anyway, and it doesn't make a great deal of difference.

The primary function of public housing is, of course, in our judgment, to fill human needs. To a limited extent, it can serve also as a balance wheel in the construction field. It can be stepped up in times of decreasing building and toned down when private enterprise is operating at its peak. The advantage of this is more apparent when we realize that all public housing is designed by private architects and constructed by private builders.

In other words, we want to keep out of the way of that competition for the labor and materials of building and architects and everything else, insofar as it is consistent with a continuing intelligent program.

More and more, private money has financed local housing operations. This should be encouraged.

I have a paragraph or two here on rural housing, which I will skip over very hurriedly, because I am trying to bring myself to a close here promptly, and merely say that it is a part of the whole picture; and while those of us represented in this particular memorandum are all from cities, we feel that the rural areas have just as much a claim to decent housing as the cities do.

It is a different kind of problem. It needs more study than we have given to it already—we haven't done a good job in rural housing—but it is one of the things that ought to be done in the next really comprehensive housing program; and probably we will have

to get into the area of home ownership there, because the particular farm home ought to be an owned home and not a rented home.

I am not going to discuss war housing, either. I think our views are pretty much in accord, except that we do feel that the disposition of a permanent war housing project ought to be simplified—disposition to a public housing authority, without having to come back to Congress for specific approval, when there is local judgment that that is proper, given by a competent authority—whatever would be regarded as a local authority that could speak for the community, the city council or something of that kind—and concurred in by the Director of the National Housing Agency.

On the other hand, if there are projects that have been publicly built during the war but could be used by private enterprise for that type of housing, then I think it should be equally easy to turn it over to private enterprise.

We call attention finally to the fact that we are a little bit concerned in the matter of rent control, as to what may happen when the war ends. We want to see rent control cease when it can, and as early as it can, but we are afraid that there is danger if controls are completely removed immediately, everywhere, after the war, and that that ought to be studied. There are probably some sections where it will have to be held on in some respect, with certain reservations, in order to prevent a run-away market.

Now, I think that that is all I have in mind. I could refer to one or two of these questions that I know you asked, where I was prepared to say something about it, but I won't unless you want it.

Senator TAFT. Go ahead.

Mr. MARQUETTE. Well, your particular question about subsidy to private enterprise for the very low-income housing, not necessarily to supplant but to perhaps supplement.

Well, it ought to be carefully considered. I rather question it for a little bit different reasons than were given. I don't really believe that private enterprise would want to do it. Maybe one would say, "Well, that ought to be left up to them to say"; and I would have to say, "That is correct."

However, if my presumption is correct, probably nothing very much would happen. In other words, here is the area they are operating in now, and that is the area they are certainly going to operate in again. Then we have this no-man's land, where they can't operate, and where we want to help them to operate.

Let's presume we do give them aids that make it possible to let them go in there and do it profitably, and if it does so well and builds well and adds to the supply of good homes, I have no objection to proper aids.

I would hope that something other than direct cash subsidy would be possible. Now, why should they want to get down into this area that we are talking about? They don't want to build for Negroes. That is a large part of that problem. We got 150 priorities—I had a lot to do with it myself—for Negro housing in Cincinnati. They wouldn't allow any other, and I don't quarrel with that use. I myself proved that that was the area of tremendous need, and we got 150 units built by private enterprise. I helped one of the little developments to work it out; I was on their corporation, serving without compensation.

Then I got 100 additional—a number of people urged it; I was one of them. And those 100 aren't being taken up. There is a fear of operating in that area.

Of course, private enterprise has got to come in for those Negro families who can pay the full cost.

Then there is the problem of these large families with large numbers of children. I just don't believe that private enterprise wants to get into that area. That is full of headaches, where you have got to do some kind of an educational job. It is costly to administer, it takes a whole lot more people, there is just nothing in it. And I believe they would just not do it, even if they have the subsidy.

That is my approach. I may be wrong about that.

Senator TAFT. At least, it can be said that the field to be examined first is the little higher income?

Mr. MARQUETTE. That is right; and there I would be all out for every proper aid, and I think it needs to be a whole lot more than they have had at any time in the past.

They can only do certain things. There is no magic about either private or public enterprise, and they have such limitations upon their ability to do certain things in that area that without aid they can't do it. We have got to help them if we want them to be able to do it.

With regard to subsidy for home ownership for those with incomes, let's say, under \$1,500, if we just roughly take that as the public housing group—I don't know whether that is what whoever suggested it had in mind, that quite low income area, or perhaps a group a little above that—the matter of some subsidy to stimulate home ownership. But down there I would be very hesitant, because I am afraid that very few people in that income range are able to carry the burden of home ownership. I think what happens is that they get over their head, and they can't buy a house that is too substantial to begin with, and the cost of repairs is likely to be excessive, particularly if they don't keep them up constantly, and the first thing you know, you get the houses running down, and I think it is very doubtful as to whether that is the group. I think it is this next group above that, that needs the help.

About a subsidy there—I can only say this: I don't know; I see some definite difficulties in the way of it. I am particularly concerned about how you would stop speculation. In other words, supposing I bought a home for \$3,500 or \$4,000, and I had a subsidy of \$1,000 or \$500, or whatever it might be. Now, to prevent me from selling that 5 years later to somebody else and making a profit would be a rather tricky thing to do. Maybe by means of mutual ownership, or a cooperative, or something like that, it could be done. I have never been too sold on those cooperatives and mutuals, myself. Many people think differently. Maybe it might be the answer. But with safeguards, if it could be proved it could be done and safeguarded, I wouldn't object. But I just have never seen a plan that seemed to me was quite adequate to reach that.

I think those are all the things that I had made note of that I thought I had anything to say on additionally that might be of any value.

Senator TAFT. Are there any questions by any member of the committee?

Mr. MARQUETTE. I want to express my appreciation to all of you. I think you have shown to all of the witnesses who have appeared, since I have had the privilege of listening to the testimony, every consideration; and I am personally delighted that you are going into the thing intelligently and with open minds and not hesitating to ask devastating questions when it is necessary to get at the truth.

Senator TAFT. The committee will recess until 10:30 tomorrow morning, when they will meet in the Finance Committee room, which is room 318.

(Whereupon, at 3:35 p. m., the committee recessed until 10:30 a. m., Wednesday, January 17, 1945, in room 318, Senate Office Building.)

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